OCTOBER, 1957

Credit and FINANCIAL MANAGEMENT

INSURANCE ISSUE
Volume 59 Number 10

Analyze Every Hazard—or Risk Losses—A Symposium

Fire Loss Cut Needed to Offset Spiraling Costs

What Top Management Expects from Insurance Department of Company

National Building Code of Fire Underwriters Board

How Much of Insurance Should a Company Carry?

Advisory Council Leaders (See P. 5)

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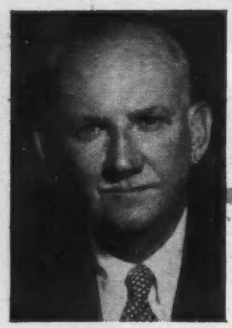

EDITORIAL

Henry H. Heimann
Executive Vice-President

A Modern Necessity

ONE reason for the stability of American business is the fact that it constantly seeks to protect itself against unusual hazards. It does this principally through insurance. The progressiveness and alertness of the insurance companies in developing policies to cover most every hazard is well-known to every businessman. Credit managers, who must rely on paying records, balance sheets, character, capacity, and conditions in their evaluation of credit responsibility, never overlook the fact that in addition they must be certain that unusual hazards are reduced to a minimum. The way to reduce them to a minimum is to protect yourself against them. The premium for this protection is small compared to its value. It is the old story of dividing the risk, and nothing could be sounder business management than doing just that.

The need of adequate insurance protection in an inflationary period is more pronounced than in a period of monetary stability. Unless you have re-evaluated the extent of your insurance protection in the past year you should take a new look at it. The dollar of your policy protection is undoubtedly inadequate when you consider present day replacement costs. Each and every time an insurance policy is due, whatever its nature, check it carefully for the actual buying or replacement values it affords you.

Because credit managers are so intent that accounts have full insurance coverage, it is only logical that in the past quarter century they have more and more assumed responsibility for insurance protection in their own company. They study insurance very diligently. Throughout the nation, in the meetings they hold in approximately 140 cities, at least once a year an evening is devoted to discussion and study of insurance. Prizes and awards are given for those who are best informed on the various kinds of available insurance.

The hazards of business we cannot protect ourselves against are numerous, but many unforeseeable adversities can be avoided or offset through adequate insurance. It is good business to make certain not only that your customer has adequate protection but also that your own company does not meet with a catastrophe because it failed to provide adequate insurance for the replacement of buildings and equipment, and against embezzlement losses, or interruption of sustained earning power. A fully insured company is a much better credit risk. What is more important, the management of a fully insured company has relieved itself of one responsibility through a sharing of this risk.

Insurance protection is not a luxury but a necessity in modern business.

THE OCTOBER COVER

CREDIT executives, already having an important voice in the insurance programs of most companies, are finding their counsel increasingly vital to the financial well being of some of their accounts. In many a company the degree of coverage can spell the difference between profit and loss. Statistics show that most non-covered firms never recover from a catastrophic loss due to fire or other insurable cause.

Hence the growing significance of the Insurance Advisory Council of the National Association of Credit Men, represented in the front cover picture. Chairman is Orville

B. Tearney (center), manager of corporate insurance and credits, Inland Steel Company, Chicago. Leland T. Hadley (left), a director of National, is assistant secretary and general credit manager, Goodman Manufacturing Company, Chicago, with which he has been associated since 1920. Wilson D. Sked (right), regional vice chairman, is assistant vice president of Marsh & McLennan, Inc., Chicago.

Mr. Tearney, alumnus of De La Salle Institute and Loyola University, is also a graduate of the executive program of professional business education of the University of Chicago. He is a past director of the Chicago Association of Credit Men.

Mr. Hadley, graduate of Earlham College and University of Chicago Law School, holds a certificate in advanced accounting from the Walton School of Commerce and became a Fellow of the National Institute of Credit in 1930. He was a lecturer and instructor in credit and finance in 1947-48 at NACM's first Graduate School of Credit and Financial Management, at the University of Wisconsin, and earlier served similarly at Loyola University, Chicago Central YMCA College, and Babson Institute's Summer Institute of Credit Management. He is past president of the Chicago Association of Credit Men.

Wilson D. Sked, native of New Jersey, is a graduate of Yale University, 1935. He is a director of the Chicago Association of Credit Men. Many have heard his addresses on insurance before Groups at Credit Congresses of National and before affiliated associations. His article on supermarkets was a feature of last year's Insurance Issue.

FINANCIAL MANAGEMENT

General Manager, Edwin B. Moran
Official Publication of The National Association of Credit Men

VOLUME 59 **NUMBER 10**

IN THIS INSURANCE ISSUE

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Chicago, Ill.—*Russell Smith,* 205 West Wacker Drive, Chicago 6. Phone: DEarborn 2-5091.

New York, N. Y.—Irving Mallon, 41 E. 42nd St., Room 516, New York 17, N.Y. OXford 7-3785.

Published monthly on the 20th of month preceding date of issue by the National Association of Credit Men, 1309 Noble St., Philadelphia 23, Pa.

Second class mail privileges authorized at Phila., Pa.

Subscription price $3.00 a year, 25c per copy; Canada, $3.50; all other countries, $4.00 postpaid.

Printed in the United States of America.

Publication Office: 1309 Noble St., Philadelphia

Editorial, Advertising and Executive Offices: 229 Fourth Ave., New York 3, N.Y. ORegon 4-5100. Midwest Office: 33 So. Clark St., Chicago 3, Ill. Andover 3-3096.

(Address all editorial and advertising material to the New York office.)

Washington

℄ LIBERALIZING coverage and certain benefits under the Old-Age and Survivors Insurance system, without increase of Social Security contributory tax rates, is the aim of a bill introduced by Rep. R. W. Kean (R., N.J.), member of the House ways and means committee, which has jurisdiction over social security legislation.

Following are eight results which he hopes his program would achieve:

1. Increase ultimate benefits to those who continue working after age 65 by a 1 per cent a year delayed retirement benefit.
2. Increase maximum family benefits for widows and dependent children from $200 to $296.25 monthly.
3. Cover self-employed physicians.
4. Cover tips received as wages.
5. Provide benefits for dependents of recipients of disability benefit payments.
6. Authorize payments from the Social Security Trust Fund toward rehabilitation of those now receiving disability benefits.
7. Increase the maximum wage base for contribution and benefit purposes from $4,200 to $4,800 a year. Maximum monthly benefit payments to a retired individual would be increased from $108.50 to $118.50 and for a married couple from $162.80 to $177.25 under the higher base. Under present contributory rates there would be an additional yearly payment of $13.50 by the worker earning $4,800 or more annually.
8. Increase widow's benefits from 75 per cent to 80 per cent of the insured worker's primary insurance amount. Under the higher wage base and the higher percentage the maximum monthly payment for a widow would be raised from the present $81.40 to $94.80.

℄ THE PRESIDENT signed H. R. 232, Breach of Contract Damages, which provides that a taxpayer who receives an award in a civil action for breach of contract may spread the amount of an award over the period during which it would have been received rather than having to declare it as income for the current year.

To this was added a Byrd amendment for elimination of the fast tax write-off program by Dec. 31, 1959, repealing that part of the 1954 Revenue Code which provides for five-year tax amortization on defense production contracts. The present backlog of applications represents proposed new or expanded facilities to cost an estimated $425 millions. With signing of the bill this backlog automatically is reduced to $260 million. Under the amendment only new or specialized items produced for the Defense Department and Atomic Energy Commission would be excepted. The bill would make the effective date retroactive to August 5, 1957. Any tax amortization certificates which were issued after that date may be voided, if they do not meet the special requirements of the bill.

Senator Byrd has said the original purpose of the rapid amortization program—to speed construction of Korean War defense facilities—no longer exists. The Treasury has supported the bill, pointing out that the program has already cost the Government $3 billions in extra interest charges.

℄ FOLLOWING two moves against inflation by the Federal Reserve System, one the increase to 3½ per cent in the discount rate at all the Federal banks, the other a renewed tightening of member bank reserves largely through reduced holdings of Government securities, Chairman William Mc. Martin, Jr., defended the credit control operation before members of the Senate finance committee investigating the nation's financial status.

Mr. Martin said that to maintain artificially low interest rates at this time "would be to invite an unbridled investment boom, inflation, and an inevitable collapse later."

He said that any acceptance of socalled "creeping" inflation would point the way to "ultimate economic chaos and incalculable human suffering that would undermine faith in the institutions of free men."

He also told the senators that escalator clauses in union contracts had a "quickening effect" on inflation.

Meanwhile from France came word that following 20 per cent devaluation of the franc and a tightening of business credit controls, there was a rush of tourist dollars into official channels, instead of to black market traders.

Felix Gaillard, minister of finance, sharply reduced the state budget and raised the discount rate on commercial transactions to 5 per cent, an increase of one percentage point. The objective: reduce home consumption, increase export sales, stabilize wages and prices.

A temporary step toward full and open devaluation, was the way some economists viewed the move.

Analyze Every Hazard

Close Working Relationship with Insurance Broker Essential

FANTASTICALLY HIGH damages being awarded plaintiffs nowadays by juries in insurance cases, plus the soaring costs of materials and labor, make more imperative than ever an exhaustive analysis of hazards and effective methods to prevent or hold down losses. How to achieve this is the 24-hour problem faced by insurance managers and supervisors of commercial companies.

A preliminary "Must" is a close working relationship of top management, through its insurance executive, with the brokers, say contributors to the following symposium. With 40 per cent of today's losses attributable to perils, other than fire risks, that were considered uninsurable years ago, the measure of a good insurance program is not the cost but the adequacy of coverage.

Participating in the analysis are O. A. Wees, insurance supervisor, Crown Zellerbach Corporation, San Francisco; J. Donald Nevius, manager of the tax and insurance department of McCormick & Company, Inc., Baltimore; and L. M. Faetz, insurance manager, The Quaker Oats Company, Chicago.

Serious Fire Expensive Way To Appraise Insurance Values

L. M. FAETZ, *Insurance Manager, The Quaker Oats Company, Chicago, Illinois*

THE astounding progress that industry generally has achieved since the turn of the Century has produced certain problems that become a challenge. When insurance was originally designed and made available, the market and coverage was limited. Today only 60 per cent of the losses paid are attributable to fire; the remaining 40 per cent are the result of other perils considered uninsurable years ago. The trend, therefore, requires that every person charged with the responsibility of buying insurance be guided by the following principles:


L. M. FAETZ

First, familiarity with his company's fixed assets and other tangible values, as well as the general operations and exposures.

Second, perception of the policy provisions and a consistent study of their application to all existing business hazards, as well as potential risks under adverse circumstances.

Third, a continuous review of revised and broader insurance coverages that are available, with the possibility of broadening current policies.

Fourth, purchase of insurance on strictly business standards.

A bad fire is an expensive way to discover the importance of insurable values. To be sure of adequate coverage it is good practice to develop proper values; revise them at least annually. Actual cash value at the time of loss is the measure of insurable value. If fire strikes your place of business, and you are covered only for direct fire loss, what would you do to meet the fixed charges and expenses that would pile up every hour your business is at a standstill? With your earnings lost, credit suffering, profits vanishing, what would you do? Business Interruption insurance will do what your business would have done for you when fire strikes. Coverage against other perils is available.

Workmen's Compensation obligation is regulated by statutory law. While benefits to injured employees vary, depending on the state that has jurisdiction of the case, so does the employer's option concerning coverage. Some states permit self-insurance, whereas others prescribe alternative plans. When this type of risk is diverted to an insurance company, there are certain exposures that are limited. Reference is specifically made to the maximum medical benefit obligation of the underwriter. Other potential risks should be analyzed, such as extraterritorial benefits, and the limit of indemnification, under Employer's Liability.

Cover Legal Public Liability

With regard to liability coverage, a generally accepted safe and adequate plan is to cover legal public liability to non-employees. There are numerous potential risks that fall into this category, such as operations, automobile/truck, product, and property damage legal liability. The fact that many states have increased the benefits for wrongful death enables one to evaluate that exposure; however, the moot question that ever exists is, "What should be the safe limits to cover the legal public liability to non-employees for claims arising out of operations generally?"

Consideration should be given to the fact that in recent years freak accidents have resulted in fantastic losses. The wise companies are usually well insured for the hazards for which they do not want to take the risk themselves. The astronomical amounts of the judgments rendered in recent years prove, if nothing else, that industry seems to have no alternative than to maintain liability limits to cope with the leniency of our courts. I believe it is safe and proper to admit that our system of handling lawsuits arising from accidents is as old-fashioned as the original one-cylinder horseless carriage.

Recently, a justice of one of our leading state supreme courts suggested a plan to settle claims by tak-

Or Risk Heavy Losses

ing them out of the courts. In essence, the entirely new legal concept that the justice advocates would be to apply the same principle to injuries suffered in an accident as now practiced under Workmen's Compensation law. There would be established schedules and settlement made without regard to the question of negligence, except in rare cases such as willful intent to injure. This is a debatable subject; however, in view of the leniency of the courts, it would be a stabilizing factor in eliminating a serious problem that confronts industry today.

In the field of fidelity insurance, the introduction of commercial blanket bonds, the packaging of other crime

(Concluded on page 34)

Fit Insurance Standards to Needs of Growth Corporation

O. A. WEES, *Insurance Supervisor, Crown Zellerbach Corporation, San Francisco, California*

IN the manufacture, conversion, and distribution of paper, the principal hazards recognized by the insurance department are the obvious ones: loss or damage caused by fire; machinery breakdown; boiler explosion; water supply systems breakdown; business interruption; products and general liability; and water and inland transit. Because of their familiarity, these hazards dare not be treated with contempt. They should be recognized and be guarded against as an ever-present threat of disastrous loss of personnel, property, and profits.

O. A. WEES

In a well-integrated organization the insurance supervisor is extremely fortunate in having the assistance, advice and knowledge of other department heads.

These departments are: the Fixed Property department to develop the formula establishing realistic actual cash values of buildings and equipment; the Inventory department to supply the values and locations of the finished product; the Credit department to establish ownership of shipments delayed or in transit; the Operating department to advise on the accident potential of boilers, electrical equipment, machinery, and water supply lines; the Industrial Accounting department to develop the expense and profit figures used for business interruption coverage; the Legal department to clarify and interpret policy forms and content; and the Timber department to supply data on log-rafts, road building, and bridge construction.

With the information tabulated, checked, and digested, the insurance supervisor confers with the insurance brokers to obtain the benefit of their engineering experience to complement the knowledge and skill of the corporation's own experts in evaluating the hazards.

The plant's construction and layout, its built-in protection equipment, its manufacturing processes and its work-flow are known and blue-printed. No problem is entailed in evaluating physical damage to buildings, equipment, and merchandise because the rule of actual cash value is adhered to, as required by the insurance policies and as directed by management that the physical assets of the corporation be protected to that extent. New installations of boilers, generators, and other equipment are viewed in the light of the maximum damage which could be done to the surrounding area in the event they explode or fly apart. Water supply properties are gauged for vulnerability to damage from the elements. Business interruption coverage is calculated on the basis of a total shutdown at each plant, the estimated number of days to get back into production and the current availability of materials and equipment.

These are basic considerations which, combined with all pertinent information available, will enable the insurance supervisor to make his recommendations to management. Any standards used must not remain static but must be reviewed continuously to fit the changing needs of a growth corporation.

OLIVER A. WEES, of the class of 1925 of Cogswell Polytechnical College, San Francisco, has been with Crown Zellerbach Corporation 28 years, successively as office boy, mill payroll clerk, mill cost clerk, ledger clerk, sales-order accountant, converting department accountant, insurance department accountant, and after three years in Army finance in World War II as assistant insurance supervisor. He advanced to insurance supervisor in 1951.

Protect Assets and Earnings Against Significant Losses

J. DONALD NEVIUS, *Manager of Tax and Insurance Department, McCormick & Company, Inc., Baltimore, Maryland*

THE prevention of unknown gambles—substantial uninsured risks—is a top management job. When a risk cannot be avoided, the alternative is insurance. Our philosophy of insurance is simple: we will self-insure if the possibility of loss per occurrence is small and we have some control over the causes of loss, for example, pilferage from a salesman's car. We think there is need for insurance where the magnitude of the individual claim is substantial and the circumstances are largely outside management control.

J. D. NEVIUS

A complete risk analysis is essential in building a sound program and it is the responsibility of the insurance manager to work out such a program, with professional assistance if necessary, and to have full agreement from top management not only as to the original program but to changes necessitated

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Reduction of Fire Losses Needed First to Offset Those Spiraling Costs of Operation

REDUCTION of fire loss would bring the most immediate value in a stepped up long-range effort to offset the continuous spiraling of prices and other operating costs, says John A. North, president of The Phoenix Insurance Company, Hartford, Conn.


J. A. NORTH

Reappraisal of the scope of fire prevention programs under present conditions was suggested by Mr. North, who addressed the South-Eastern Underwriters Association, of which he was president, on the 75th anniversary of the organization, at Hot Springs, Va.

The company executive, searching for avenues to cut expenses in home office operations and in acquisitions of equipment and services, sees little hope of reduction from those sources.

"No matter how we seem to 'strain at the bit' to locate a saving in some 'controllable' expense, the socalled 'uncontrollable' items are of such magnitude by comparison that our final underwriting results are seldom noticeably affected.

"As long as inflationary influences in our national economy keep forcing upward the prices of everything we must buy or use, we cannot hope to perform any substantial reductions in the ratio of expenses to premiums. In almost any other business, an increase of sales would balance the increase of expenses, but in ours it only aggravates the situation, because increase in premiums means a statutory increase in the premium reserve. Therefore, if the effect on values by virtue of the inflationary spiral continues, the reserve situation, being what it is, will certainly afford us no immediate relief."

While prices of many supplies, machines and services used have almost doubled in the last 15 years—even trebled in some cases, he notes—fire rates by themselves have declined. Liabilities due to inflated values have skyrocketed in comparison to the added premiums by increased liabilities due to business in force.

"We need to speed up the mechanics in order to shorten the time between needed rate increases and realization in cash. Our rating machinery must be sensitive enough to respond equally to increases or decreases as conditions warrant. Rates high enough to provide a comfortable profit to competitors in the non-agency field will be quickly capitalized upon by them in selecting the better risks of a class on a price basis. The public seems more interested in price alone than in the quality of insurance or its services."

Mr. North salutes the work of the many organizations, and individual company programs, to direct public attention toward fire and safety consciousness, but wonders why "the results are not more obvious," with the annual loss of 40,000 lives on streets and highways, and fire losses last year 13 per cent above the previous all-time peak.

"One wonders if the American public is hell-bent on destroying itself. We are the most careless people on earth. Why should we destroy a billion dollars worth of property by fire unless we are too careless to be concerned about its conservation? The destruction of property is an economic loss that insurance does not replace. The loss of lives by fire, by accident, and by motor vehicle speeding is nothing short of tragic."

So Mr. North asks:

"What is so civilized about a 280-horsepower car that can use its full speed only on a racetrack?

"What is so advanced about a modern building with blank walls and no access to fire departments?

"What is the evidence of progress in shopping centers on the edge of towns wherein large basement areas are not cut-off, debris is piled high, and no sprinklers are installed?

"What may be expected but total losses as we expand our growth to suburban areas with little, if any, water protection and great distances to fire departments?"

Then this question: "Is all the money we spend in loss prevention hitting the mark?"

Mr. North cites important progress made in the casualty field with safe-driving courses in schools, television programs and educational material in the press. But—

"With 215 million people in the USA by 1975 the situation will be aggravated beyond comprehension if we don't awaken to our dangerous way of life. I wonder if we should have a reappraisal of our fire prevention programs or at least of their scope under present conditions. For

FIRE PREVENTION

TWIN proclamations by President Eisenhower and Canada's Governor General Massey will set off Fire Prevention Week, October 6th to 12th, in the United States and our neighbor nation.

The slogan, "Make Sure of Their Tomorrows—Don't Give Fire a Place to Start," will be the theme of the observance, which traditionally includes October 9th, anniversary date of the Great Chicago Fire in 1871.

Educational materials for the week, for industry and home, are available at cost from the National Fire Protection Association, one of the sponsors. Others are the International Association of Fire Chiefs, United States Department of Agriculture, Association of Canadian Fire Marshals, Canadian Association of Fire Chiefs, and other public service organizations.

instance, today's electrical appliances are placing excess loads in older buildings on wiring designed years ago for lesser burdens. It may never occur to the uninformed that too many appliances are dangerous fire breeders.

"Amateur wiring to accommodate more and more gadgets can only be cautioned against by educational programs, as I believe our codes and ordinances are being constantly modernized, even though unheeded.

"The design of buildings and the specifications as prescribed by architects not infrequently are completely devoid of fire prevention thought as they are finally delivered to builders for construction or repair.

"The growth of population and the expansion of industry, with all the various ramifications, may conceivably drain our existing water supplies if more conservation is not broadly promoted. Even the conversion of salt water to fresh water is a subject with far-reaching implications to the insurance underwriter."

To help combat all these factors contributory to underwriting losses, to achieve profits by other means than by constantly increasing rates, Mr. North advocated establishment of a planning committee within the organization for continuing study of trends, rating mechanics, public needs, simplified operations, and methods to meet or anticipate demands upon services.

JOHN A. NORTH, who at 49 became president of The Phoenix of Hartford Insurance Companies, was graduated from Hotchkiss School, joined Phoenix as a clerk, left to enter Yale, and after receiving his diploma returned to the company as special agent in Texas.

After seven years in the New England field he was named assistant secretary in the home office, then rapidly advanced successively to secretary, vice president, a director of The Phoenix and The Connecticut Fire Insurance companies, executive vice president, and in 1951 to the presidency.

Besides being a director of a number of companies, Mr. North is board chairman, Connecticut Public Expenditure Council; chairman of trustees, American Foreign Insurance Association; life trustee, American Institute for Property and Liability Underwriters, of which he was the first president.

What Management Expects of Its Insurance Unit

Department Is Protective Armor and Shield, Says Chairman of Board

CHANGES in the corporate organization and structure of America—some brought on by long exposure to creeping socialism, some by the rapid expansion of industrial and commercial enterprise — have given the insurance department constantly growing importance, says H. P. Liversidge, chairman of the board, Philadelphia Electric Company.

H. P. LIVERSIDGE

The huge concentrations of physical equipment such as boilers and turbo-generators, all operating under conditions and capacity scarcely dreamed of a few years ago, represent asset values that can be seriously impaired by explosion, fire, damage suit, or other casualties. Therefore his company has a separate department "responsible for a continuing record of insurable values of plant and equipment, for considering the risks, for maintaining maximum fire protection, and for protecting the company by insurance against loss." A full-time insurance specialist is in charge.

"Astronomical Verdicts"

The public utility is unusually exposed to third party liability claims involving both personal injury and property damage, Mr. Liversidge points out. The steadily increasing claims-consciousness of the public reflects the "astronomical verdicts" many juries are inclined to award, in a period when business expansion has been accompanied by an enormous concentration of values in real and personal property, and a marked increase in production hazards.

"Prudent executives have become definitely aware that the financial security of the physical plant depends to a very large extent upon the solidarity of the company's insurance foundation. A catastrophic liability for damage or large property loss not provided for could seriously impair corporate assets and resources, and in some cases deal a financial body blow from which there is no recovery."

Several years ago the insurance department of the Philadelphia Electric Company was placed at the management level, directly under the jurisdiction of a senior officer, and was given full department status. "We have learned that there is no phase of our business that does not involve some form of insurance problem. We have also learned that there is a definite relationship between the cost of insurances and losses, and that if we expect our insurance department to purchase the proper insurance coverage at the most favorable premium cost, then it behooves us to place the department in such a position that it can and will do its utmost to reduce or remove entirely those risks most likely to cause a disastrous loss."

The insurance department of Philadelphia Electric Company is recognized as "management's protective armor and shield," and top management expects the department to assume the following responsibilities:

1. Independence of action.

2. Development of extra-company liaison and cooperation.

3. Accurate risk analysis.

4. Risk removal or reduction.

5. Proper types of indemnity contracts in the proper amount.

6. Determination of what losses can be readily absorbed without insurance protection.

7. Intimate knowledge of fiscal, physical and operational data, of contemplated new construction, of special problems.

8. Initiative.

HORACE P. LIVERSIDGE, chairman of the board of Philadelphia Electric Company, holds honorary degrees of doctor of engineering, Stevens Institute of Technology, and doctor of science in commerce, Drexel Institute of Technology.

Mr. Liversidge in 1898 joined the company (then Edison Electric Light Company) and rose successively through operating positions to assistant electrical engineer, operating engineer, assistant chief engineer, vice president, vice president and general manager, director, president, and to chairman in 1947.

Mr. Liversidge holds these awards: James H. McGraw Award for Cooperation, Murrell Dobbins Pioneers of Industry, Edward Powell Fund, and William Penn Award of the Chamber of Commerce of Greater Philadelphia.

"We list responsibility as our first expectation," Mr. Liversidge explains. 'However, to expect responsibility from others we must delegate responsibility to them. In our company certain principles have been established as matters of company policy, such as the major risks which are to be insured, the amount of self-insurance retention, and, where excess insurance is purchased above this retention, the top limits of such excess. These principles will continue to be a proper matter for executive decision. However, we do expect and are guided in these decisions by recommendations submitted by our insurance department.

Relationship with Broker

"We expect our insurance department to solve problems of risk analysis, risk removal or reduction, and the providing of the proper types of indemnity contracts in the proper amount, and without depending solely on our brokers. The broker should neither supplant nor dominate the insurance manager but should work with him in close harmony, using his trade contacts and business knowledge to obtain the coverages which the manager deems appropriate."

Mr. Liversidge notes that in many cases certain exposures present such negligible risk that from a practical standpoint it would be "gilding the lily" to provide insurance protection. "We expect our department to determine what the character of the loss might be, and if it is such that it can be readily assumed without any serious impairment of corporate resources."

Philadelphia Electric has placed its insurance department in such a posi-

tion in the corporate structure that there is definite understanding of its right to request the information and technical advice needed for knowledge of the company's fiscal, physical and operational status. "We expect our insurance administrators to have legal knowledge, engineering ability, familiarity with accounting practices and procedures, an understanding of economic principles, and a thorough and comprehensive knowledge of insurances. To that end we encourage our insurance administrator and his key assistants to be active in insurance groups, to serve on insurance committees, and to attend insurance conferences wherever possible."

Furthermore, knowledge of the company's own corporate structure, operations, contractual obligations, its physical property and assets, and the special problems unique to a public utility, is considered essential if full advantage is to be taken of the interdepartment liaison developed by the insurance administrator. The department's personnel have free access to any company department or property to obtain that knowledge.

Top management also delegates to the insurance administrator "a certain independence of action" without which his responsibilities would be limited, as well as use of the knowledge he has acquired. "The department should be removed from the routine and sometimes suffocating procedure of subsidiary operations and placed in a position closer to top management. Independently, we expect our insurance administrator to select and deal with the brokerage houses through which our company's business is handled."

Initiative is another attribute which Philadelphia Electric expects of its insurance department.

Removal or reduction of risk involves what he calls property protection engineering. Through contacts in insurance circles Philadelphia Electric's insurance personnel study serious fire and explosion accidents throughout the country, often by personal visits, and make recommendations applicable to the company's own operations, working closely with the engineering departments.

Property protection has been an increasingly important function, and the insurance department's recommendations for removal of fire and

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MANAGEMENT AT WORK

.... a problem case is solved

By ROBERT L. BURR
Credit Manager
American Cast Iron Pipe Company
Birmingham, Alabama

POSITIVE thinking by credit managers and constructive service to their customers is the management trend of recent years. When this procedure is followed a better job is done for the company they represent, and they have the satisfaction of knowing that a well planned offense has been a major factor in bringing in sales that might otherwise have gone by the board.

In the cast iron pipe business we have several types of accounts, and the one that gives us the greatest concern is the private sub-development. In many cases the owners of sub-developments, short on operating capital, find it extremely difficult to meet the standard 30-day net terms. Also, very seldom do you have the protection of a payment bond, and due to the very nature of this type of account you are dealing largely with an element of uncertainty. There are many things to consider in trying to determine in your own mind if the sub-development you are selling will be a successful enterprise.

New Manager Phones

With these comments in mind let's get to a specific case. A telephone call came direct to our office from some 1,500 miles away, and the gentleman introduced himself as the new manager of a concern we had sold several years previously on a limited basis.

He talked at length, explaining his company's plans for expansion, and telling us what the requirements would be for the use of our product. As he talked, we thought of the various not too complimentary comments we had heard from the field, from the standpoint of his concern's status as a "blue-chip" account.

As the call came direct to us it was evident that the gentleman wanted to know what our requirements would be for approval of credit for their order. We were impressed with his sincerity and his willingness to answer promptly in detail all the questions we would ask him.

We suggested that he write us in detail, giving us the plans for expansion, and that he send us a current financial statement. In response to our request we received a three-page, single-spaced typewritten letter, an up-to-date map of the sub-development, several advertisements and newspaper clippings, and a letter from the company's certified public accountant, to which was attached a current balance sheet.

The size of the first order would be $25,000.00, with several subsequent orders to follow for like amounts. When we began analyzing the balance sheet, the current liabilities stood out like a red flag at $500,000.00, with current assets of only $300,000.00. In the current liabilities, notes payable to banks stood at over $300,000.00. There was a deficit in earned surplus, and while the fixed assets stood at just over a million, about one-half of this represented a capital stock liability.

The Problem: Working Capital

It was apparent that this case, like many other sub-developers, suffered from lack of working capital. Yet, in spite of this, we felt that this concern had promise of developing into a good account. A conference with our treasurer ensued.

We decided to sell to the company, but we did point out the advisability of a cut-back in the initial requirement to an amount we thought more in keeping with ability to pay.

The reasons for selling to the company were as follows:

1. The new manager had capacity. He knew exactly what he wanted and was planning ahead. His sincerity and honesty in giving us the complete facts impressed us.
2. The location of this development was favorable. The city was moving in the direction of the project, and surveys proved that the potential market for lots and homes in this area was excellent.
3. The character of the men who owned the corporation was very good.
4. The large amount of money already invested in fixed assets indicated the owners were playing for keeps.
5. The bankers must have been impressed to make a loan of $300,000.00.

Faith Well-Founded

The money to pay for our product had to come from the sale of lots and houses. From all that we could learn, all conditions looked favorable.

In seven or eight months we have now sold this company around $100,000.00, and payments have been made promptly in accordance with our terms. A recent visit with the manager, and a personal inspection of this property, proved that our faith was well-founded.

The case history proves again that when the account has character and capacity, plus the required potential, the capital will arrive on schedule.

ROBERT L. BURR, ***credit manager of American Cast Iron Pipe Company, Birmingham, and president of the Alabama Association of Credit Executives, attended Birmingham-Southern College and holds the Associate Award of the National Institute of Credit.***

Before joining Acipco in 1951 Mr. Burr was southeastern credit manager of Alpha Portland Cement Company for 11 years.

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accident hazards, following frequent and systematic inspections, have brought gratifying results.

Other activities have developed out of the department's initiative. One was a fire-fighting training school. "We actually set fire to equipment under conditions simulating those likely to occur in our gas and electric plants; the men were trained to extinguish them efficiently."

Recommendations of the insurance department for the early stages of plant expansion and construction, out of the knowledge of the power plant rating schedule, have proved productive in engineering planning.

The company self-insures its compensation and public liability, buying excess coverage above its selected retention, and provides for these assumed potential liabilities through a reserve fund. Computations of suggested accretions to this fund are made on an actuarial basis by the insurance department and submitted annually to the finance and accounting department.

With the approval of the auditors the insurance department maintains all accounting details pertaining to insurance and has complete responsibility for proper proration of premiums to the appropriate operating accounts. It provides monthly summaries of all insurance transactions to the general accounting department.

In cooperation with the fixed capital records division of the company, the department maintains valuation records of the company's insurable physical plant, including such historical information and construction data as are necessary for loss adjustment purposes, in order to have up-to-the-minute analyzed cost values of insurable items and so comply with the fire policies' co-insurance clause.

"When taxation began to enfold us in a tight grip, its octopus-like arms reaching out and grasping wherever it could take hold, executives of wisdom set up a taxes division within the corporate organization to cope with and solve the many new tax problems which were unknown and unforeseen a little more than a decade ago."

—H. P. Liversidge

Designed to Give Broadest Possible Crime Coverage:

THE BROAD FORM STOREKEEPER POLICY

By E. W. HABERLE
Manager, Burglary and Plate Glass Department
The Home Indemnity Company
New York, New York

TO meet the ever increasing need and demand for package coverage by small store owners, the Burglary Rating Committee of the National Bureau of Casualty Companies introduced the Broad Form Storekeepers Policy last November.


E. W. HABERLE

This policy was designed to give the broadest crime coverage possible on money and securities, to provide burglary and robbery coverage on merchandise, furniture and fixtures, including damage, and to be available in small units of coverage at a reasonable premium to small proprietors. To this end, the policy encompasses all these points extremely well.

Beginning with a basic unit of $250 on each insuring agreement which may be increased in units of $250 up to a maximum of $1,000, the policy covers the following:

Insuring Agreement I—Employee Dishonesty. Primary Commercial Type.

Insuring Agreement II—Loss Inside the Premises. Destruction, disappearance or wrongful abstraction of money and securities. Safe burglary, robbery of merchandise and other property.

Insuring Agreement III—Loss Outside the Premises. Destruction, disappearance or wrongful abstraction of money and securities outside the premises. Robbery of merchandise and other property outside premises included.

Insuring Agreement IV—Merchandise Burglary; Robbery of a Watchman. Burglary coverage on merchandise. Coverage includes loss from a showcase or show window located outside the premises but inside the space immediately surrounding the building containing the premises. Coverage is limited to $50 for merchandise, including damage to the show window or showcase. Any one article of jewelry is limited to $50 coverage under this agreement.

Insuring Agreement V—Money Orders & Counterfeit Paper Currency. Provides coverage on post office or express money orders issued or purporting to have been issued by any post office or express company if such order is not paid on presentation. Covers the acceptance of counterfeit United States or Canadian paper currency.

Insuring Agreement VI—Theft residence. Home of messenger coverage covers loss by theft of money and securities from within the residence of the messenger.

Insuring Agreement VII—Depositors Forgery. Provides coverage against forgery or alteration of any check, draft, promissory note, bill of exchange or similar written promise made or drawn by or drawn on the insured.

ENTERING the insurance industry in 1941 in Chicago, E. W. Haberle has been associated with the Home Indemnity Company since 1949 when he was employed in the Chicago branch as a burglary and glass underwriter. In 1950 he was promoted to special agent in Cook county, and later was transferred to the home office in New York as supervisor of the burglary and glass department. Last year he was promoted to manager of the department. Mr. Haberle attended De Paul University in Chicago, and Armour Institute.

Insuring Agreement VIII—Damage by Vandalism or Malicious Mischief. Covers damage to the premises and to the insured property following a burglarious entry.

Insuring Agreement IX — Other Damage. Pays for damage to the premises and the insured property therein by robbery, burglary, safe burglary, robbery of a watchman or attempt thereat.

The policy may be written only for an insured having a single location and customarily employing not more than four employees. A part-time delivery boy or an occasional part-time employee is not considered in the number.

Rated on Nature of Business

This new package contract differs from the Storekeepers Burglary and Robbery Policy in rating of the risk, as rates are based upon the nature of the business. Consequently, the more hazardous operations—liquor, jewelry stores and service stations—take a higher rate than less hazardous types of business, such as florists, dry goods and shoe stores.

Location of the risk is also taken into consideration; a business in a rural area does not pay as much premium as that in the large metropolitan cities.

This policy has made available to the small merchant coverage that he could not afford in the past because of minimum premiums. For instance, fidelity and forgery, broad form money and securities coverages were not available in amounts less than $1,000 in the same contract without a minimum premium applying on each. All too often the small merchant needs this type of coverage but in nominal amounts and at a premium he can pay.

Small Merchant Vulnerable

Until May 29th fidelity coverage of the primary commercial blanket type was not available in amounts of less than $10,000 and broad form money and securities coverage had a minimum premium of $50 for inside the premises coverage and $12.50 for loss outside the premises. A merchant who had an exposure of $250 or $500 could ill afford to pay the minimum premium required for this broad form of coverage. It was felt, therefore, that by combining these coverages with others, a package contract could be placed on the market and the savings in minimum premiums passed on to the insured.

Crime in the United States has been on the increase in recent years. As reported by the F.B.I., burglary increased 6.7% in 1956 over 1955

and larceny increased 16.7% in that period.

The robber, the burglar and the dishonest employee take from the small merchant as well as the large. In many cases they direct even greater attention to the smaller store, because, from a robber's point of view, there will be fewer persons to contend with, and from a burglar's viewpoint the protection will not be as great on doors and windows. The dishonest employee has greater access to the store funds and merchandise as he is more often left alone when the owner has to be away from the shop.

As learned by the companies from losses they have been called upon to pay under the new contract, the dishonest employee is perhaps more interested in stealing small amounts, so that he will not be detected. A burglar very often is after one specific item and does not touch others. The robber will stage a holdup for any amount he thinks he can obtain with little risk. Filling stations, for example, are very susceptible to holdups, but as we read in the papers the amount of loss is usually under $200.

Contract Broadened

Merchandise Burglary; Robbery of a Watchman is a coverage that has generally been available even to the small merchant and in amounts under $1,000. Coverage on merchandise has always been desired by merchants. Therefore, to broaden the contract, robbery of a watchman was added along with coverage on property within a show window or showcase outside the premises. This coverage is especially desired by service stations and similar risks that have merchandise exposures outside the premises. Additional optional coverage for service stations includes:

Gasoline and oil in containers connected to locked pumps located outside the building.

Additional coverage on tires, tubes and other property in fully enclosed and locked containers located outside the building.

Insuring Agreement V—Money Orders and Counterfeit Paper Currency is a relatively new form of coverage. While the demand for it has not been great, it was felt a very worthwhile protection for the small store owner. Here again the smaller store is not immune to loss. Money order coverage applies only to post office or ex-

(*Concluded on page 29*)

Automation Can Speed a Simple File Maintenance Job Too, Brokers Find

"ONE of our recent and most interesting discoveries," notes an executive of one of the nation's largest brokerage houses, "is this: the principle of automation can be put to work on a simple job of file maintenance as effectively as in the more complex areas of data processing.

HARRY JACOBSON

"For example, when an active file gets too big to handle, the problem does not necessarily call for more space or more clerical employees. It can be profitably solved with the right kind of automatic equipment," explains Harry Jacobson,* office services manager of Bache & Company, in New York City.

One of the nation's leading Wall Street brokerage houses, Bache & Company has had to revise many office procedures to keep pace with the tremendous increase in business volume over past years. "Our master file of customer accounts has doubled in recent years, " says Mr. Jacobson. "Today it contains in excess of 500,000 cards, representing all the investors who have done business with Bache, either in New York City or in any of the 50 branch offices."

"Each of these cards contains the customer's name and address, his branch office number, account number and registered representative's number, and the date of either the opening of his account or his last change of address, if any.

"About 100,000 or more of these cards are considered 'active,' but the remaining cards are by no means inactive enough to warrant keeping them in a separate location. The master file must be consulted every time anyone within the Bache organization needs information on any customer, every time a customer notifies us of a change of address, and every time we receive correspondence that fails to mention the customer's account number. All told, the file is referred to at least 1,000 times a day."

TWO FILE CLERKS at Bache & Company handle all the maintenance of a 500,000-card master file housed in six Remington Rand Conve-Filer units. The mechanized file automatically brings the desired record to the operator's fingertips at the touch of a foot pedal. Clerks can receive instructions over telephone headsets, as well as in person.

In pre-boom days the file was adequately housed in a bank of standard six- and eight-drawer cabinets, with cabinets added as needed. "By the time we had a total of 14 cabinets, and two full-time file clerks to maintain them, the job was getting out of hand.

"The two girls were kept constantly busy, yet nearly always were behind in their work—stooping to pull out the low drawers, stretching and craning to get at the high ones, often getting in each other's way. No matter how hard they worked, they were never doing the whole job.

"The file area was always being used by others who couldn't wait to let the girls do the work for them—registered representatives, men from our margin department, and anyone else in the office who happened to be in need of customer information. It was getting to be a scene of constant overwork, congestion, and delay.

"More than inefficient, it was dangerous. There was the ever-present risk that someone might trip over a drawer carelessly left open, or hurt his head on a high one."

The need for an improved system was urgent. A Remington Rand representative called in to study the problem, recommended mechanized file maintenance. The 14 vertical cabinets were removed and six Conve-Filers installed in their place.

The Conve-Filer is an electrically operated system of moving card files. Over 80,000 of Bache's file cards are contained in each desk-shaped, counter-height unit.

Seated or standing in front of the unit, the file clerk can find any card in the system simply by touching her foot to a pedal at its base. If she touches the right-hand pedal, the trays of file cards are automatically conveyed across her line of vision left to right. When the tray she is looking for passes by she releases the foot pedal, stopping the machine until she has found the card she needs. To make the trays advance in the other direction she simply touches the left-hand pedal. Thus all the cards in the file are automatically brought to her; she need not stir from her comfortable working position.

"Our two file clerks are able to handle all six Conve-Filer units easily. They have absorbed all the work formerly done by outsiders, and put an end to the costly confusion and bustle in the file area," Mr. Jacobson points out.

In the old system the file cards

*Mr. Jacobson, at 33, is the youngest manager on the Bache & Company New York staff.

were indexed with a conventional system of alphabetical guides. There were often as many as 500 cards between guides, which made for a great deal of thumbing through blind cards. Now, with an 8,000-division Variadex system which subdivides the alphabetical headings according to their various requirements, there are never more than 40 cards between two guides.

Another advantage of this mechanized system is that it permits the girls to wear telephone headsets as they work, and thus receive instructions over the phone as well as in person. The Conve-Filer units afford much-needed desk space that was not available in the old file area. They can be locked at night, to protect the vital records from damage or misuse.

Black Urges More Modern Insurance Rating Structure

A more modern rating structure is needed to provide insurance companies with reasonable underwriting profit, said Kenneth E. Black, president of The Home Insurance Company. He attributed to the current method of establishing rates, as well as the continued increase in building and replacement costs, the fact that "the loss trend which affected adversely the entire property and casualty insurance industry in 1956 continued on into the first six months of 1957, again influencing underwriting operations in most major classes of business."

Mr. Black said that "regulatory officials have been alerted to the need for increased rates and the formulation of flexible rating techniques that would respond more promptly to changing economic conditions."

There was a very cautious man,
Who never romped or played.
He never smoked,
He never drank,
Nor even kissed a maid.
When he passed away,
Insurance was denied
For since he never lived
They claimed he never died.

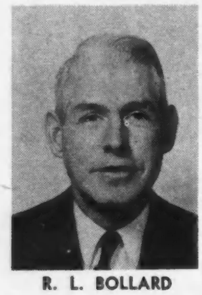
Roy Sowers, Dean
John B. Stetson Univ.
DeLand, Fla.

KEEPING EMPLOYEES HONEST

The Solution: Install and Maintain Adequate Internal Control

By R. L. BOLLARD
Special Auditor
Liberty Mutual Insurance Company
Boston, Mass.

MOST newspaper accounts of employee defalcations refer to the culprit as the "trusted


R. L. BOLLARD

employee". This appellation has given rise to the wags' cliche, "Of course he was a trusted employee, otherwise how could he have gotten away with so much money?"

Superficially, this remark might appear to pose a dilemma. In the normal conduct of business it is necessary to entrust certain phases of the operations to various key employees. If they decide to divert the assets to their own ends, what can be done to stop them?

We believe the answer lies in installation and maintenance of an adequate system of internal control. We say "maintenance" because no accounting system is better than the control exercised over it. Assuming that all employees in a given organization were intrinsically honest at the time the system of internal control was installed, the chances that company will remain free of employee defalcations is in proportion to the supervisory measures adopted to enforce strict adherence.

You may ask, "What does an insurance company know about internal control?" Perhaps the average insurance company doesn't know too much about the subject, but Liberty Mutual Insurance Company for the last 20 years has been reviewing the accounting procedures and the systems of internal control of its larger bondholders to uncover weaknesses which may be conducive to fidelity or other losses. The information from these reviews, plus other information gained from the auditing of actual losses by employee defalcations, puts us in a position to point out situations which could lead to loss. This service to our policyholders is not designed to uncover peculations, because our work does not contemplate an audit of the books or records, but it is one of apprising the management of the possibilities for loss under their present system and procedures.

Perhaps it would be well to correct some of the prejudiced thinking on employer-employee relationships. Many are of the opinion that honesty is a one-way street, a moral obligation on the employee to be honest in his dealings with his employer. We feel there is also an obligation on the employer to keep temptation out of the employee's way. This does not mean chasing one employee around to check up on another; it does mean dividing duties so that no one employee will have unsupervised access to the assets of the company.

Another misconception that should be exploded is the all too frequent assumption that the only thing necessary for detection of employee dishonesty is the hiring of an outside accountant. The accountants themselves maintain that audits to express an opinion on financial statements consist, in accordance with accepted standards, largely of testing and sampling procedures sufficient to satisfy the auditor that the financial position and results of operations are fairly presented. This type of audit will usually, but not always, disclose shortages in current assets sufficiently large to affect the financial position materially. It cannot be expected, however, to disclose shortages, even of substantial amounts, which are minor in relation to the assets as a whole. It is even less likely to disclose defalcations concealed by improper charges against income.

Therefore, it is evident that management is responsible for keeping its own house in order. To accomplish this, the thinking of individuals responsible for overall conduct of the business must be orientated along lines of internal control. Such things as increasing sales, guarding against machine obsolescence, and keeping up with current market trends, are vital but their value is nullified if dishonest employees are taking the assets. The case of a television company in New York which was forced into bankruptcy by wholesale thievery of parts by employees, proves the point.

What is internal control? The best description I have been able to find is contained in the definition given by The American Institute of Accountants, which describes it as "the plan of organization and all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy of its accounting data, promote operational efficiency and encourage adherence to prescribed management policies."

"A flagrant violation of accepted accounting procedures which we encounter most frequently is that of permitting the purchasing department to have a hand in either the receiving or stockroom functions, and sometimes both. The accounting department is responsible to management for accounting for the assets, liabilities, income and expenses of the business."

This is a far cry from the universal practice of demanding strict accountability for the $50 petty cash fund while the $50,000 stockroom inventory is "tapped" regularly for miscellaneous tools and supplies! We are not advocating that the petty cash box be left open to finance the lunch and cigaret buying by the office employees, but we do feel that whoever felt it necessary to spend $10 for a lockable petty cash box could have spent the same amount for hinges, hasps and padlocks, to provide physical separation in the stockroom for such attractive items as hand tools, flashlights, paint brushes, electrical supplies.

Some points to consider in setting up a satisfactory system of internal control are:

Segregation of interlocking positions of trust.

Proper authorization and recording procedures, so that there will be reasonable accounting control over assets, liabilities, income and expenses.

Establishment of generally accepted practices in the performance of duties and functions in all organizational departments.

Selection of qualified personnel.

In organizations which have relatively few key employees, the problem of segregating interlocking positions of trust, particularly in the office, is very difficult. A little imagination and some knowledge of the exposure will go a long way toward solution. It should be remembered that almost all defaulters are impelled by acquisition of easy money to continue their peculations. Surprise checkups will usually uncover the loss before it can reach sizeable proportion.

Segregate Executive Posts

Even executive officers of the corporation should not be excluded from consideration in working out a plan to segregate positions of trust. This is particularly true when the individual has either a token or no financial interest in the company. Actually, it doesn't make any better sense to give such an executive officer the dual positions of check-signing authority and reconciliation of the bank account, than it would to entrust the same functions to one of the office employees.

Details of provision for proper authorization and recording procedures cover too wide a field for this short article but a few important points should be considered. The cardinal sin would be a breakdown of the system through uninhibited actions of the "prima donnas". They are so involved in their invaluable contributions to the prosperity of the company that they cannot be fettered by such irrelevant detail as purchase orders, receipts to substantiate their expense accounts, keeping within budget limitations. Watch out—these could be potential defaulters!

Another factor is incorporation in your accounting system of provision for things required by your organization. Just because you happen to know that a competitor does not use a voucher register system or that somebody else has not adopted a

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National Building Code of Fire Underwriters Is Adopted by More Than a Thousand Cities

By JOHN A. NEALE
Chief Engineer
National Board of Fire Underwriters
New York, New York

COMMUNITIES looking for a good way to modernize their building codes will do well to consider the National Building Code, recommended by the National Board of Fire Underwriters.

J. A. NEALE

The National Building Code is well suited for adoption by reference, and a suggested ordinance for use in adopting the Code by reference has been published. More than 1,000 cities have adopted it. For communities which feel their needs can be cared for by a briefer code, an abbreviated edition has been published.

To encourage introduction of improved and safe methods of building construction, the Board has published a recommended building code continuously since 1905 when the first edition appeared. The 1955 Code is the seventh major revision. In commemoration of 50 years since publication of the country's first model building code by the Board, it is called the 1955 Golden Anniversary Edition.

The Code has been prepared with the definite objective of meeting the public interest, providing safety to life as well as property, and giving due regard to provisions affecting health and sanitation. The fire insurance companies carry on this activity because that which serves the public interest in these matters also serves their interest.

The Code is a performance code and insofar as practicable, within the limits of public safety, allows the use of any material, type of assembly, method of construction, or style of architecture that meets the required standards of strength, stability and fire-resistance.

The Code has been drafted by the Board's engineers with assistance from many sources. Approved American standards and nationally recognized standards of trade associations have been incorporated.

Safety to life from fire calls for more than ample exit capacity. It requires exit ways that will be safe under fire conditions. It requires restrictions on the spread of fire such as limitation of areas, proper enclosure of stairs and elevators, fire walls (and in some cases exterior walls) having stability under fire conditions as well as fire-resistance, restrictions on flame spread rating of materials used as interior finish, protection of window openings against fire exposure, and installation of automatic sprinkler systems in certain situations including large area buildings of readily combustible construction or occupancy.

Lack of one or more of the features mentioned has frequently been an important factor in injury or death to persons from fires in buildings. The requirements of the National Building Code take into account the accumulation of years of study of these factors by men familiar with the phenomena of fires and their spread in buildings.

The Code shows the latest nationally recognized working stresses for steel and lumber, and permits the use of glued laminated lumber provided its use is in accordance with nationally recognized good practice. It recognizes the place of plastics in building construction and covers their use. It recognizes the use of newly developed thin panel wall sections and permits them under certain conditions.

Buildings of unlimited area are covered by stipulating the conditions under which such buildings are permitted.

High hazard occupancies are covered by requiring compliance with nationally recognized good practice, where such exists, and giving certain requirements for other high hazard occupancies.

JOHN A. NEALE, chief engineer of the National Board of Fire Underwriters and president of the National Fire Protection Association, began his career as a fire protection engineer after graduation from Tufts College with a degree in civil engineering.

Following service as artillery lieutenant in World War I he organized and operated a fire protection engineering department for the Tennessee Inspection Bureau as its chief engineer. In 1924 he became chief engineer of the Chicago Board of Underwriters, and was engaged by the Underwriters' Laboratories, Inc., in 1938, later becoming chief engineer and vice president. In 1954 he joined the National Board, which has been serving the public and capital stock insurance companies since 1866.

Mr. Neale was president of the Society of Fire Protection Engineers in 1954.

Installations Covered

Installations of heating appliances, incinerators, and air duct systems, are covered in the Code by a brief section which cites the "Code for the Installation of Heat Producing Appliances, Heating, Ventilating, Air Conditioning, Blower and Exhaust Systems" recommended by the Board.

The Code contains 16 appendixes which give supplementary information. In addition, information on the fire-resistance ratings of walls and partitions, column, beam, girder and truss protections, and floor and roof constructions is given at the end.

One appendix gives supplementary code provisions for resistance to severe wind conditions. Other appendixes are of special provisions covering resistance to earthquakes and protection against termites.

A copy of the Code is available to city officials.

No Building Code is complete without adequate provisions for its administration and strict enforcement. Little is gained by a commu-

nity if it has regulations for building construction on the statute book but lacks adequate provisions for proper enforcement. The official charged with the administration or enforcement of the building regulations has a tremendous responsibility. With responsibility must go authority. No matter how detailed the Building Code may be, he must to some extent exercise his own judgment in deciding compliance. It should be the recognized duty of all citizens to see that their interests are protected by a capable administrative official.

Most cities of any size have set up the machinery for enforcing regulations concerning new construction, and the quality of inspection and hence of construction improves year by year. But new buildings constitute only half the problem. They are generally designed and built for a definite use or class of use. Changes in occupancy can be expected to occur, and buildings may come to be used for purposes their original design did not contemplate. Such changes may vitally affect the health and safety of many people by introducing fire hazards and health hazards.

In many cities a few special occupancies, most commonly theatres and public garages, are closely watched, and may be established only in buildings which conform essentially to the requirements for new construction. Otherwise control over important occupancy changes is often haphazard and incomplete. When structural alterations are involved, a building permit is necessary, but where no such remodeling is done the building inspector may be entirely unaware of what is taking place.

"You say you were once cast away on a desert island, entirely without food. How did you live?"

"Well, I had an insurance policy in my pocket and I found enough provisions in it to keep me alive till I was rescued."

—Essay

Various steps can be taken to remedy this situation, in a manner more or less automatic. Zoning restrictions, or control of land uses, are recognized as an essential function of municipal government; they are the effort of the planning engineer to guide the development of urban districts along orderly and permanent lines, so that property values can be maintained, and blighted or slum areas prevented. They are primarily concerned with occupancy rather than construction. By the simple expedient of having permits required by the zoning laws passed upon and approved by the building inspector before the permits are issued, this official has the opportunity to forestall any distinctly hazardous or improper use of an existing structure.

No Building Code can be considered a complete and finished document for any long period of time. General principles can be established but new materials, methods of construction and techniques of protection must be recognized as they develop. There has been abundant evidence of improvement in building design, construction and equipment over those of a generation ago. There is no reason to assume that this advance will not continue. We do not lack examples of modern homes, commercial buildings and factories of the highest type to show us what can be accomplished in the way of comfort, health, safety and efficiency; it remains for those interested in the sound development of our cities to apply the same principles toward raising the general level of construction.

Case Histories in Credit Insurance

Many Things to Many People, But All a Part of Sound Management

By J. L. McCAULEY
Executive Vice President
American Credit Indemnity Company of New York
Baltimore, Maryland

FOLLOWING a year at Army and Navy preparatory school in Baltimore, J. L. McCauley entered the Wharton school of business at the University of Pennsylvania and on graduation joined American Credit Indemnity Company as an agent. In Maryland until 1934, he was transferred to Richmond in charge of operations in Virginia, but was called back to Baltimore in 1940 as manager of the Maryland and Virginia department. In 1951 he was elected executive vice president of the company, of which he is also a director.

FROM time to time we indicate that credit insurance is an integral part of sound business management. At all times we emphasize that credit insurance is a help to a credit executive. When these references appear, they have an academic nature and are not immediately or readily understood.

J. L. McCAULEY

Credit insurance means so many things to so many different people that each case represents an individual solution to a problem. Our relations with policyholders are strictly confidential. In most instances a policyholder requests that we do not make specific reference to his company's name, whenever operational problems or results are discussed.

The brief examples that follow are actual stories of current policyholders. Their company names are not referred to out of respect to the appeal to avoid identity. We relate these stories, however, because the principle involved in each reflects a condition in your own company, and the solution should guide you in your planning.

A rolling mill located in the East, producing aluminum, steel and brass mill products. Distribution is in eastern United States with various terms of sale.

This company is classified as one of the larger companies in their line of business. Originally incorporated in 1931, they made certain corporate changes in 1956 and have shown substantial growth throughout their history. The changes made last year reflect gradual transition from warehouse to mill operation. As a warehouse they had a multitude of small accounts with diversification in number despite concentration in a single line. The change to a mill operation resulted in a new market, with larger lines of credit to a considerably smaller number of customers—companies with whom no experience had been developed. Most of the new accounts were well rated, some would be classed as marginal.

At the time of changing to a mill operation, the company began to use credit insurance largely for security purposes. The third party guaranty of credit insurance made possible the large lines of credit. Credit insurance became a sales tool with consequent larger profits. The accounts classed as marginal are also covered under their policy and for amounts satisfactory to the policyholder. This broadened their market and created a larger profit potential, and profits were realized.

They find the trend toward longer terms of sale. The credit guaranty, therefore, is now classed as one of the keys to their success in a continued and controlled expansion program.

A Manufacturer of Plywoods. This South-Central company is a medium sized producer of southern hardwood and plywood. Its sales are made throughout the United States to industrial concerns, largely manufacturers of furniture. Terms of sale are 1/10 net 30 days. There is no particular seasonal factor.

Credit insurance, in this case, has made possible the acceptance of orders when the credit limit was far in excess of a logical amount in relation to the manufacturer's working capital. Their policy has been an adjunct to their credit department. One outstanding example is an account now covered by their policy for $60,000, which reflects an average indebtedness of $45,000 to $50,000. A normal line without protection would never be greater than $20,000.

There is a turnover of slightly better than five times a year. As a consequence, sales volume to this single account amounts to more than $200,000 a year. Net profit is better than 10%.

A Wholesaler of Lumber, Millwork and Builder's Supplies. This company, in the East, has a sales volume approximately $3,000,000 a year. Distribution is to retail lumber and building supply companies. Terms of sale are 2/10 net 30. There is no particular seasonal element.

The story concerns possible default of one of this company's accounts. Recently a fire broke out in the lumber yard of a customer. Damage was estimated between $100,000 and $200,000. Within 24 hours a second fire occurred in another part of the yard, under conditions which implied the possibility of arson. The amount owed to our policyholder was approximately $30,000.

When the fires occurred, a problem immediately presented itself. Was there adequate fire insurance coverage? Was there arson? Could the debtor meet his obligation with a substantial portion of his net worth wiped out? The mercantile agency had removed the rating. If they were to continue to function, someone had to replace the lumber.

Through credit insurance investigation there was developed sufficient financial information and preliminary fire insurance knowledge to make possible a larger line of credit of $75,000. The lumber was replaced, the lumber dealer continued to function normally, fire losses were adjusted, and the warehouse operator enjoys a larger volume of business than before the fire. Without his credit insurance policy, this would not have been possible, and only a nominal amount would have been shipped.

A Manufacturer of Fireworks. This company, in the east-central section, manufactures fireworks and paper

tubes. Distribution is largely to distributors on three different sets of terms: (1) Trade acceptances up to 180 days (80% of volume); (2) 1/10 net 30 (10% of volume) and (3) cash (10% of volume).

The company started in business in 1926, when investment was small and sales of fireworks were strictly cash to a limited number of accounts.

This line is normally highly seasonal. For 30 years they operated only four months of the year, just prior to the Fourth of July and Christmas.

In these 30 years, they required cash in advance in substantial deposits with the order, additional payments during the manufacturing period, final payment before shipping date. The son of the founder was encouraged to come into the business. Eventually he found the seasonal nature unattractive, due largely to the necessity of training and retraining personnel. There was serious doubt the son would continue.

There was no credit department, no credit history; in fact, there was no knowledge of what constitutes a credit basis. Preliminary discussions served as educational. Through a study of normal credit channels, it was decided that a new product be added—paper tubes. With establishing of credit the company was enabled to operate on a 12-month basis. The factory was kept running and terms of sale as long as six months were granted large distributors. Credit lines were substantial.

With this change in operation, additional financing was necessary. Arrangements were made with a local bank for discounting of insured receivables. The sales volume has increased approximately 400%.

A Manufacturer of Flush Doors, Plywood Panels and Lumber, classed as a leading producer of its products. They also wholesale plastic materials and products allied with the plywood industry. The company is vertically integrated. Sales are made through their own organization on a nationwide basis on terms of 2%, 10th prox. They have about 40,000 customers.

They began operation 30 years ago on a small basis. Growth has been phenomenal. In 1940 sales volume was $3,000,000. In 1944, when they purchased credit insurance, the annual volume increased to $12,000,000. It is now approximately $50,000,000 annually.

This is an excellent example of aggressive credit checking, acceptance of all possible orders with liberal judgment for credit purposes. When at due date the accounts are not paid, this company moves in with strength to collect the amounts owing. The result: a tremendous increase in sales volume and practically no credit losses. The average collection period ranges between 30 and 45 days from date of shipment.

The company is in the central section, geographically remote from a large part of their market. They liberally employ the facilities of the service department of our company.

Billings from Central Location

All billings are made from a central location. Because speed is essential they make use of automatic billing devices and many other types of modern office equipment and facilities. The attitude of management is progressive, and ability is high.

The company also finds it necessary to establish a substantial line with many customers. These lines are guaranteed through credit insurance. The added advantage of dual investigation is important. They have great faith in the opinions of the credit department of the insuring company. Here is an example of secondary credit checking, the latter an adjunct to the prime effort of the policyholder's credit department, and with us this is on a continuing basis.

Confident Because Prepared

By this type of operation, they have more confidence through being able to prepare for whatever might happen. Naturally they are in business to make money, and their profit and loss statement shows excellent results. The collection procedure is on the basis of "A past due debtor is an embarrassed debtor." So long as an account is past due, it is sufficiently embarrassed to buy elsewhere rather than face discussions with a supplier to whom it owes money. Because they take action quickly, past due amounts are relatively small, and they continue to get rapid repeat orders from their other customers.

While the cases selected show some similarity, they were chosen for the particular points involved. These same points could apply to any line of business. In addition, there are hundreds of other benefits available to credit executives and as varied as the problems and results.

Modernizing the Office

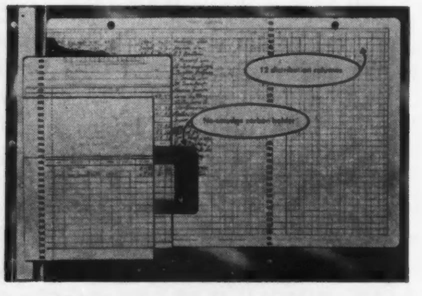
New Equipment to Speed Production and Reduce Costs

42-to-1 Microfilmer

416 The "Model 11" Film-a-Record precision built Microfilm Camera of Remington Rand Division of Sperry Rand Corp. applies features of cameras many times its size. Unit simultaneously photographs both sides of document. Readily interchangeable lenses are available for 25 to 1, 35 to 1, and 42 to 1 reduction ratios. At 42 to 1, the Model 11 films a greater number of documents per roll of film than other microfilm cameras now available, manufacturer states. Light intensity is adjustable via single Colorstat control.

Pegboard for Accounting

417 Designed to speed up posting of accounts receivable, the Multi-rite Mercury pegboard of The C. E. Sheppard Company has a slider rail which moves statement and ledger card to the next open writing line of the journal, so that all three



records are created with one writing; statements are always ready for mailing. The same Mercury board also may be used to prepare payrolls. The No-Smudge Carbon Holder assures clean ledger cards at all times because it is not filed with the card; cuts cost of statements too, since they do not have to be backed with carbon.

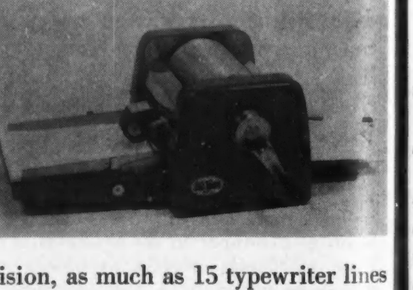
Machine Bookkeeping

418 In a budget-priced "package deal", National Cash Register Company makes available its "Little Wizard" Front-Feed Bookkeeping machine with standardized NCR (No Carbon Required) forms designed to fit the machine. Machine handles all the basic bookkeeping requirements; the front-feed carriage makes it possible to print related forms, such as customer's statement, ledger and journal, in a "one-shot" operation. A switch at the left changes it into a normal adding machine. Standard NCR (No Carbon Required) forms are adaptable to any

small or medium-sized business. No training is required because the unit runs like an adding machine.

Worksaving Duplicator

419 Tri-functional controls of Old Town Corporation's Model 10 Spirit Duplicator permit automatic control of pressure, moistening rollers, fluid feed and paper feed. Result is an extremely easy to operate machine, which delivers sharp copies in any combination of colors up to five, including black. Registration dial in operating handle raises or lowers copy with micrometric pre-



cision, as much as 15 typewriter lines up or down. Side-to-side registration, adjustable feed handling of any size stock from small postcards to legal size paper, twin sheet separators are other features.

If time drags, try borrowing some money on a 30-day note. It won't drag then.

—Anonymous

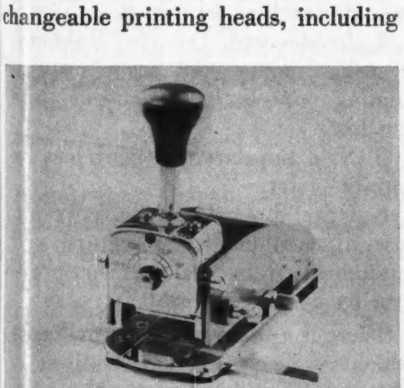
Speeds Up Calculations

420 The new 10-key automatic Printing Calculator of CLARY CORPORATION applies shortcut methods to automatic multiplication for increased calculating speed, and prints the answers besides. Total transfer, decimal selection, automatic credit balance, direct subtraction are other features that speed up calculating efficiency. All entries can be made on calculator's single keyboard, composed of 10 numerical keys, including the cipher. Entry capacity is 10 columns, totaling capacity 11 columns. Machine is portable, comes in Clary beige finish.

This Department will welcome opportunities to serve you by contacting manufacturers or wholesalers for further information regarding products described herein. Address MODERNIZING, Credit & Financial Management, 229 Fourth Ave., New York 3.

"88" Numbering Machine

421 With the ROBERTS Model "88" desk-type numbering machine, the user has a choice of nine interchangeable printing heads, including



one for vertical numbering. A platform-type unit with reversible nonmetallic platen, it permits handling up to 20 carbons at one time. Handle and printing head swivel forward and back as a unit for convenience in resetting wheels and compactness in stowing away. Made of polished chrome plate with red plastic striking knob, the Heller Corporation's machine has a storage chamber for extra ink pads.

Efficency in Addressing

422 Addressing, imprinting and other tabulating machine tasks are carried out more speedily and efficiently with the self-adhesive TABULABELS of Avery Adhesive Label Corporation. Also used for file folder, stock bin and warehouse

labels, and similar identification jobs, Tabulabels require no moistening. They come in roll form, with special perforated backing tape for easy feeding. The labels are rewound on an electric rewind unit after imprinting, curtailing wastage. Avery electric dispensers are available for applying Tabulabels with greater speed.

Four-in-One Stencil Sheet for Mimeographing Index Cards

For the library and other departments, this procedure can save time, money and work, as compared with hand typed or printed cards. One timesaver of the A. B. Dick Company, manufacturer of duplicating equipment and supplies, is a perforated "four-in-one" stencil sheet, each part printed with the standard index card form. The typist can prepare four sets of index cards before putting another stencil in the typewriter. Then individual stencils are detached along the perforated lines and put on the mimeograph separately.

What to look for in

MAKING AN INSURANCE SURVEY

By JOHN S. HOFF
Dunning & Dunning
Duluth, Minnesota

LET it be said at the outset that the job of surveying any business for insurance purposes should be delegated to an insurance expert. Properly selected, this man can become an "insurance manager" serving without salary for a most important phase of the business. To make sure the insurance will work, he has a lot more to do than merely take an order and write up a policy. Therefore, don't try to do an expert agent's job yourself. You pay for a complete insurance service; be sure you get it.


J. S. HOFF

The owner or manager of a retail store must select one agent and give him the responsibility for the entire insurance program. Dividing or "passing business around" only results in poor service and lame excuses for non-payment of losses or lack of coverage.

When this expert agent surveys the store and its operations, he will first obtain an understanding of the business so that all problems (difficulties in rebuilding or replacement, loss of use, unusual leases or contracts, liability exposures, etc.) are anticipated in advance. From his knowledge of the insurance business he will select policies and companies, from the literally hundreds available, which are best suited to needs and problems. He will carefully analyze policies in force—including the "fine print"—so that coverage will never be denied because of a technicality. If necessary, he will contact specialists for unusual situations. In short, he will give the same service that one tries to give one's own customers, including year-round personal attention.

The agent will then, after careful study, present an outline of recommended coverages. He, no doubt, will classify them as (1) essential, (2) important and (3) optional. The following is a checklist which will help make sure that the business is protected against the insurable hazards which are the most serious threats (which we might call the "business-wrecking hazards") and to make sure of getting the best possible value for one's insurance dollar.

JOHN S. HOFF, from Duluth State Teachers College and Carleton College, Northfield, Minn., and four years in the Navy's Submarine Service, entered the insurance field in 1947. He is now with Dunning & Dunning in Duluth after a period as manager of the First National Company Agency, Grand Rapids, Minn. He is a member of the Minnesota Association of Insurance Agents (municipal, county and public properties committee), Insurance Federation of Minnesota, and National Association of Insurance Agents.

Essential Coverages

(These are the business-wreckers)

Damage to Property

Fire and Extended Coverage (includes windstorm, hail, riot, aircraft and vehicle damage, smoke and explosion): insurance to at least 80 per cent of value of building, stock and fixtures, including improvements and betterments.

Heating boiler should be insured against explosion—steam boilers are not covered under the extended coverage endorsement.

Earthquake insurance, if applicable.

Loss of Use

Business interruption insurance to pay for loss of profits, earnings and continuing expenses while business is totally or partially suspended following loss by fire or other perils mentioned under Damage to Property.

Liability Claims

Liability insurance against claims for bodily injury and property damage arising from the dealer's operations or premises, his products or completed operations, operations of contractors he may hire, liability assumed in lease or other contracts; elevator, if any.

A boiler explosion can wreck neighborhood property as well as the store's. Therefore the boiler contract should include liability insurance for this hazard.

Workmen's compensation or employer's liability is required in most states and should be written to comply with the laws.

Automobiles

Liability insurance on automobiles and trucks owned by the business against claims for bodily injury or damage to property of others.

Non-ownership liability insurance for employee-owned cars and hired automobiles and trucks.

Crime Hazards

Fidelity (dishonesty) insurance, covering *all* employees, and protecting against *all* loss from dishonesty of employees.

Other Hazards

There are many other hazards that might result in loss which would be severe but could possibly be met out of profits or accumulated reserves. These might be classed as "Important". The insurance coverages are, briefly:

1. Sprinkler Leakage insurance, if applicable, on contents.
2. Leasehold Interest insurance, if rent is substantially under present rental market.
3. Comprehensive and Collision, on autos and trucks owned.
4. Inside and Outside Robbery, covering money and securities, including payroll, bank deposits, and the like.
5. Safe Burglary, covering loss by forcible entry.
6. Open Stock Burglary, covering loss of merchandise, furniture and equipment from premises or property by burglars or robbers.

There is a third group of coverages which can be classified as "Optional." They are desirable because they ca

convert possible loss into small, fixed annual expense. They are, briefly:

1. Transportation and/or Installation Risk floater.
2. Deferred Payment Merchandise floater covering interest in merchandise sold on installments.
3. Plate Glass insurance.
4. Electrical Signs insurance.
5. Parcel Post insurance.
6. Vandalism and Malicious Mischief insurance.
7. Medical Payments under liability and auto policies to medical and hospital expenses for injury whether or not you are liable.

Finally, the insurance expert will make periodic re-checks of the survey to keep hazards under control as changes in the business, changes in the law, new coverages, and other factors enter into the picture.

HABERLE BEGUN ON P. 16

press company money orders, and counterfeit currency coverage applies only to United States or Canadian currency.

Old and Valued Coverage

Theft; Residence, or Insuring Agreement VI, is an old and valued coverage going back many years. Many merchants take money or securities home with them. They do their bookkeeping at home after store hours and often take home the money with which to start the next day's business or to make up their bank deposits for the following day.

Insuring Agreement VII: Depositors Forgery is a form of coverage that few small merchants have purchased, even though there is a real need for it. Check kiting and alterations are a growing danger, as losses from these causes increase every year. This is another threat to the store owner for which the underwriters felt the coverage was needed in a broad form of policy.

Insuring Agreement VIII: Damage by Vandalism or Malicious Mischief is important, as very often a great deal of vandalism is done by burglars. Often, after not finding the money they thought to be on the premises, burglars will proceed to destroy merchandise, furniture and fixtures out of sheer malice. Disruption of business is obviously a severe type of loss to any store owner.

Other Damage; Premises Damage or Insuring Agreement IX, caused by a burglar gaining entrance to a store, can be serious. Very often the damage is in excess of the money or merchandise taken. Safe burglary losses can be especially costly, for not only is there damage to the premises to gain entry but there generally is a piece of equipment—the safe that has been cut open, drilled or blasted apart—which must be replaced. Very often, damage to other merchandise, furniture or fixtures results from this operation.

For those that feel a loss of $25 or less would not be of great consequence, a $25 deductible is available with reduction in premium. This deductible applies on all insuring agreements except money orders and counterfeit paper currency.

In all, the contract provides excellent crime protection coverage. Many insureds who have carried the Storekeepers Burglary and Robbery Policy, which has been on the market for many years and is a limited contract, are renewing their coverage under the Broad Form Storekeepers Policy. The new policy has greater and broader coverage and the premium is nominal.

It is thought that under this contract a greater number of small store owners will have much more insurance coverage than previously. This is the constant aim of the insurance companies—to provide more people and industries with broader protection at a cost they can afford to pay.

Storekeepers Liability Policy

An excellent companion policy, one that every merchant should carry in addition to his Broad Form Storekeepers Policy, is the Storekeepers Liability Policy. This contract also is designed for the small merchant and packages his liability coverages in one contract at a savings in premium.

By adopting this broad form coverage not only will the store owner protect himself against crime losses but, following a loss, he will be able to return to normal operation in the knowledge that his losses will not come out of his reserves. Many small businesses have closed as a result of an uninsured fidelity loss, burglary, robbery or forgery. Through this contract even the smallest merchant can afford a $250 policy.

Guides to Improved Executive Operation

BOOK REVIEWS

A LEGAL ANALYSIS OF THE APPRAISAL AGREEMENT—By Max J. Gwertzman. $1.00. Insurance Advocate, 135 William St., New York 38, N.Y.

• A practical guide to one of the vital clauses in your fire insurance policy, which has many times involved insurance carriers and claimants in controversy. The author has carefully annotated point-by-point discussion of the factors which have led to disagreement between parties, using case law from all parts of the United States. He sets forth clearly how the "weight of authority" of court decisions supports interpretations of the language of the appraisal clause.

BIG LEAGUE SALESMANSHIP—By Bert H. Schlain. $4.95. Prentice-Hall, Inc., Englewood Cliffs, N.J. A book loaded with ideas for both salesman and sales manager. It is easy, interesting reading, full of ideas for effective sales presentation, closing a sale and how to make one sale lead to another.

To expedite receiving booklets described below in this column, address all inquiries concerning Efficiency Tips to CREDIT AND FINANCIAL MANAGEMENT, 229 Fourth Ave., New York 3, N. Y.

EFFICIENCY TIPS

622—New punched-card system installed at General Warehouse & Transportation Company is described in illustrated folder of Remington Rand. Ask us for TM-1080.

▼

623—"4 Ways to Be Sure It Can't Happen Here" is title of 8-page booklet offered by Cummins-Chicago Corporation, which analyzes most frequently used methods of manipulation of deposit accounts and describes preventive measures.

▼

624—Companies that maintain a library will want to have Gaylord Brothers' "Library Supplies" catalog, 72 pages.

▼

625—How to do professional quality plastic binding in your own office is explained in an illustrated fact-filled manual offered by Plastic Binding Corp.

▼

626—Executives will be interested in the just issued Remington Rand "Dream Office" furniture catalog, 26 pages profusely illustrated, describing features of the new all-steel line which integrates function and style.

▼

627—Tab Products Co. has a new 24-page brochure on how to save time and space with Spacefinder files. Catalog includes details on shelf files and 8 pages on open reference (tub) files.

▼

628—Catalog units, salesmen's binders and cases, directory organizers and varied types of industry and display binders, are described in the illustrated brochure of Buchan Loose Leaf Records Co. Free.

KEEPING INFORMED

SHAW-WALKER COMPANY'S 1958 Office Guide, just published, is full of ideas and equipment to simplify office work, save office space and improve office appearance. This 252-page encyclopedic catalog pictures, describes and plainly prices 5000 office products—fireproof equipment, desks, files, chairs, counters and systems—all "time-engineered" to make today's shorter office hours more productive of accomplishments and profits. Hundreds of illustrations in modern color. Available to purchasing agents and office executives. Free when requested on business letterhead. Write Shaw-Walker Company, Muskegon, Mich.

NOISE MEASUREMENT AND CONTROL—This introduction to the principles of industrial noise measurement and control outlines noise measurement and analysis, and describes an acceptable, simplified means for conducting noise surveys. Discussed are principles of noise control, properties and transmission of noise, methods of noise reduction, with examples of typical noise control applications. 53 pages. $1.50. Association of Casualty and Insurance Companies, 60 John St., New York 38, N. Y.

FRINGE BENEFITS—Costs, union demands, expansion of the movement are discussed in new publication. $1.00. U. S. Chamber of Commerce, Washington 6, D. C.

Five Fields of Isurance and Bond Protection Discussed

Five fields of insurance and bond protection, all vital to credit operation, were discussed in panel and individual addresses at an Insurance Forum sponsored by the Insurance Advisory Council of the Georgia Association of Credit Men.


CURTIS BRYANT

Under the leadership of Curtis Bryant, Curtis Bryant Insurance Agency, chairman of the Georgia association's Advisory Council, the gathering was held at the Georgia State College of Business Administration, Atlanta.

The opening address, on "Business Life Insurance—a Factor in Credit Extension," was by Luther H. Guest, Connecticut General Life Insurance Company.

Mr. Bryant answered the question, "Fire and Liability Insurance—A Credit Loss?"

The panel presentation on Bonds had these topics and speakers: "Fidelity Bonds, a Credit Protection," by L. E. Cooley, Central Surety and Insurance Corporation; "Forgery, a Credit Problem," R. S. Painter, Maryland Casualty Company; and "Construction Payment Bonds," Spencer Brewer, Fund Insurance Company.

The discussion included definition of a payment bond, Federal and state payment bonds, protection for the materialman, relationship of materialman to unbonded subcontractor on a bonded job, how to file claim with the bonding company. A question and answer period followed.

Members of the Georgia unit's Advisory Council include Messrs. Bryant, Cooley, Painter, Brewer, and William L. Gunter of S. Hammond Story Agency.

Home Insurance Sponsoring Jack Benny's Radio Show

The Home Insurance Company, sponsoring the Jack Benny CBS radio show, has equipped local agents with an extensive merchandising program which will feature magazine advertising and direct mail and radio promotional pieces.

Special recorded "spots" were prepared for agents tying-in with local CBS stations.

How Much Fire Insurance Should Company Carry? Answer: Sufficient to Cover Largest Possible Loss

ONLY by having a full-scale appraisal made by an appraisal company of good standing can the insurable value be determined for a plant other than one newly erected, says John Hetherington, manager of the fire insurance department in the Toronto office of Marsh & McLennan, Inc.

J. HETHERINGTON

For the new plant, the cost of construction and the cost of machinery is the value as at the date. Depreciation or appreciation due to rising costs is a matter for the future, Mr. Hetherington says. But a problem of a different color is the plant several decades old, with additions built over the years. The machinery bought 20 years ago is still functioning adequately, and though some of it has been written off the books as fully depreciated, it has a considerable value so far as operations are concerned.

The problem of the insurance manager of a large corporation is basically similar to that of a house owner: "How much fire insurance should we carry?"

"Though he has the obvious advantage of modern accounting systems, the insurance manager's task is magnified by the fact that he has many buildings to protect, and perhaps many plants across the country. Before he can answer his own question, therefore, he must know the value of the property and the one way to know is by appraisal and inventory.

"Most companies keep an inventory of stock on hand, which would include raw materials, stock in process, and finished goods. These data are necessary for accounting, purchasing and production control, altogether apart from insurance."

The situation is quite different in the matter of buildings and machinery, furniture and other fixtures, Mr. Hetherington points out. Excepting tax assessment and book depreciation, neither of which values is of significance so far as insurers are concerned, the sole reason to determine values is for insurance, and too often they are neglected.

Hence the complete appraisal. "It may be that the cost of appraisal will be a deterrent in some cases, but unless you have some reasonable means to determine accurately the value of your property, you cannot insure with confidence. Once an accurate value has been established, it is a relatively simple matter to keep up-to-date by applying building cost indices and depreciation tables.

"Book depreciation should never be regarded as a value for insurance purchases. Your accounting department will write off every dollar the law allows, and rightly so, but would not be prepared to see you lose a machine if they felt it had another five or ten years service.

"The importance of obtaining proper values extends much farther than the fact that you should carry enough insurance to protect you in case of fire loss. There is a little item in insurance known as the co-insurance clause, so often found in policies dealing with manufacturing, warehousing and mercantile risks. You agree to insure up to a certain stipulated percentage of the actual cash value of the property. If you fail to do so, you become a co-insurer with the companies to the extent that the amount of insurance is deficient.

"If you have a plant valued at $1 million and have a 100 per cent co-insurance clause, you have agreed to insure up to $1 million. If at the time of loss it appears that the insurance carried is only $500,000, you yourself become insurer of the remaining $500,000. Assume the loss is $100,000, one-tenth of the plant value. Since all losses are pro-rated between those carrying the insurance, the insurance companies would pay $50,000—one-half the loss—and you as co-insurer would pay the remaining $50,000. In most cases co-insurance contribution is entirely unwitting, a situation that results almost invariably from lack of knowledge of the true value of the property."

Mr. Hetherington takes the co-insurance clause a step farther. On most mercantile risks (properties occupied for stores or light manufacturing) there is an option of insuring with or without co-insurance. If the company's insurance manager knows the property values and is prepared to insure up to the normally required 80 per cent of value, he can safely insure on a co-insurance basis and have the rate reduction granted.

"The co-insurance clause does not mean you receive only 80 per cent of each loss," he explains. "If you are under-insured you must of course bear your proportion of each loss. But if you are carrying insurance equal to the required percentage of value, you will be paid in full for each loss up to the face value of the policy." In most cases of manufacturing plants, especially those that are sprinklered, fire-resistive, with other so-called superior risks, 90 per cent co-insurance is mandatory.

Noting that the fire insurance rate for superior risks is quite low, on the premise that the insurance to value will be carried, the executive explains why. Suppose the $1 million plant is spread over four or five buildings, each fire-resistive and fully automatically sprinklered. If the total de-

"The technical problems of fire insurance can be handled by your insurance broker. That is his job. He is trained to do it and paid to do it, so let him do it. But your values are your problem and you should not consider your company properly protected until you are confident that your values are soundly established."

—John Hetherington

struction of one building would be $200,000, the largest possible loss, the insured could well ask himself why he should carry more than $200,000. Mr. Hetherington interpolates: "The insurance companies know this, and their rate has taken the fact into consideration so that your overall protection cost is considerably reduced because of the spread of risk, but they still require insurance up to 90 per cent of value. This stems back to the basic principle of insurance: the losses of the few are paid by the premiums of the many. If everyone were to insure only a small percentage of the total value, it can be mathematically shown that all rates would have to be increased proportionately to pay the losses."

Stated Amount Co-insurance

Then there is the guaranteed amount or stated amount co-insurance clause. Here an actual dollar amount is substituted for percentage. This guaranteed dollar amount, computed by filing with the underwriter a statement of values of the property, is usually 90 per cent of the total of these values. The advantage is that, regardless of increase in construction and machinery costs, the amount of insurance that must be carried is stated in the policy. This guaranteed dollar amount clause is permissible on only certain superior types of risk and will not be allowed to include stock if the value of the stock fluctuates appreciably.

So: "How Much Fire Insurance Should We Carry?"

The answer: "Sufficient to cover our largest possible loss, depending upon the requirements of the co-insurance clause in the policy."

If the co-insured company has a large fluctuation of stock, Mr. Hetherington advises: (1) the building and all contents, except stock, should be insured in one policy, or set of policies, taking advantage of the guaranteed amount clause if the risk is eligible, and on a three year policy for the rate reduction thus granted; (2) the stock should be insured on a so-called declaration form, especially if the inventory varies monthly or even weekly.

"The declaration form policy provides for a limit of liability which should be higher than the estimated peak value of the policy term. The premium paid, provisional only, usually is based on 75 per cent of the limit of liability at the rate applicable to the insured location.

"A report of values is to be filed monthly. At the end of the policy period the monthly values are averaged and the actual earned premium is computed on these values. If the earned premium is higher than the provisional premium, an additional premium must be paid. If the earned premium is lower, a return of premium is allowed."

Advantages of Declaration Form

Two advantages are that there always is protection up to the limit of liability, and the insured pays only for the amount of insurance used.

If fire loss occurs, it is the duty of the insured immediately to protect the property from further damage, separating the undamaged, under protection. Then the loss must be reported to the insurance company, usually through an insurance broker. He gives formal notice to each insuring company and arranges that adjuster be appointed to get in touch with the policyholder at once. If the loss is consequential he will give the companies' permission to start cleanup operations and rebuilding to speed resumption of operations. Itemizing of actual loss usually requires considerable time, and here again, the insurer's executive points out, it is all-important that the insured be able to substantiate the property values that were placed at policy-writing time, in order to make claim and not be a co-insurance contributor. Furthermore, he emphasizes, the policyholder should expect the loss settlement to be on the basis insured.

The fact that interrupted operation loss may exceed the physical damage from fire or other perils insured, points up the importance of business interruption insurance. In the shutdown period the businessman loses net profit as well as that portion of earnings which otherwise would pay for the continuing expenses. The purpose of business interruption insurance is to indemnify the businessman for such loss.

Bound up in all phases of the problem, however, Mr. Hetherington emphasizes, is the axiom: know your values.

JOHN HETHERINGTON has been in the insurance business since 1930, excepting five years of service with the Royal Canadian Air Force during the war.

Mr. Hetherington is the manager of the fire insurance department of Marsh & McLennan's Toronto office.

Manuals on Power Line Safety And Powder-Actuated Tools

Two manuals added to the industrial safety guidebooks published by the accident prevention department of the Association of Casualty and Insurance Companies, 60 John Street, New York 38, N.Y. are: "Power Line Safety Manual" and "Your Guide to Safe Use of Powder-Actuated Tools".

The first-named deals with the area of utility company operation responsible for almost two-thirds of all fatal accidents in the electric light and power industry. The second title is the 57th in a series of guidebooks published by the Association to discuss hazards in some profession, procedure or piece of equipment, and how to avoid them.

L. M. FAETZ

BEGUN ON PAGE 8

coverages with dishonesty under 3D (dishonesty, disappearance and destruction) policy and the comprehensive crime form have given the insurance buying public a much better opportunity to provide against unforeseen losses.

There is no question about the need of fidelity coverage. The only question with which an employer should be concerned is how much protection should be carried, and this is not an easy one to determine. Improved internal control has a bearing on employee dishonesty. The value of stealable property on a firm's premises or in the custody of its employees, as well as the cash maintained in any one facility or the sum of monies carried by messengers, should be the criterion as to the amount of burglary and robbery insurance necessary. Employers all too often think in terms of small losses rather than the possible catastrophic loss which might severely cripple their businesses.

Differs with Companies

Again, the proper amount of fidelity insurance to carry differs with companies; consequently it is recommended that the entire exposure be studied and then a sufficient amount of coverage be maintained to protect against the kind of loss that would seriously impair the company's financial condition. The sum and substance of this modest treatise is to emphasize the importance of the insurance buyer knowing the sources of dangers and the opportunities to cover them. Like clothing, a company's insurance coverage oftentimes must be tailor-made; if not, parts of the business anatomy will be exposed.

You must be on top of this job every day, and it is good practice to stop, look and listen at least once a year to your company's changing financial and physical position to be positive that your insurance program is sound.

To qualify under the fourth principle, namely, that insurance must be purchased on strictly business standards, it is imperative that your insurance agent or broker be the type that can provide complete counsel and be available for service. Promises made during the selling negotiations naturally are expected to be kept all during the policy period. The selection of the people from whom you purchase your insurance and the underwriters is of the utmost importance. Buying insurance from your fraternity brother, club member, and the like, is practical providing such parties qualify as competent and well-informed advisers and can provide the service to which an assured is entitled.

Leo M. Faetz, insurance manager, The Quaker Oats Company, Chicago, attended Loyola Academy and Metropolitan Business College. He joined Quaker Oats in 1918 and has spent the last 25 years in the insurance department, becoming insurance manager in 1947. He is a former officer of the Mid-West Insurance Buyers Association, Inc., chapter of the American Society of Insurance Management, Inc.

A smart husband is one who isn't so busy bringing home the bacon that he forgets the applesauce.

—N. A. Rombe

Sometimes we may learn more from a man's errors than from his virtues.

—Longfellow

J. D. NEVIUS

BEGUN ON PAGE

by changing business conditions and the evolution of the business.

The basic objective should be that no uninsured loss is ever sustained of such size as to put the company out of business; beyond this, the program should protect the assets and earnings against significant losses. The measure of a good insurance program is not the cost but the adequacy of coverage. The cost is measured in pennies but when or if catastrophe strikes, the value is in very real and necessary dollars.

The responsibility for insurance should be in an executive at top management level with the direct day-to-day operation carried out by an insurance manager reporting directly to this executive. If a full-time manager cannot be justified the job frequently can be combined with other duties, but the entire insurance function must be coordinated with day-to-day changes in the operation of the business. We consider that professional assistance is a necessity. Our insurance brokers not only provide this assistance but also serve to find the best available market for the purchase of our various insurance requirements.

Our insurance program is fairly standard as to type

"I am always longing to be with men more excellent than myself."

—Charles Lamb

of policy and includes the following, most of which should be routine with every manufacturing concern:

1. Fire and extended coverage on our main offices and manufacturing plants, with blanket protection provided for other locations under a separate policy.
2. Earnings protection through business interruption coverage.
3. Blanket fidelity and burglary protection—the "3-D" type of policy.
4. Full automobile coverage on salesmen's cars with high limits on both bodily injury and property damage.
5. Comprehensive public liability and property damage covering all locations, with high limits of liability.
6. Products liability.
7. Workmen's compensation and employer's liability.
8. Transportation coverage on both inbound and outbound, inland and marine risks.

The tailoring of the aforementioned individual types of policies to our operations is the result of years of working together by top management, through our insurance manager, with our brokers. We believe this to be the most important ingredient in carrying out a successful insurance program.

J. Donald Nevius, AB and CPA, spent 15 years in public accounting and tax work before joining McCormick & Company, Inc., Baltimore, in 1945 as office manager. Aided by a systems department and hard-working office supervisors he found the office function requiring less of his attention but insurance and federal and state tax work consistently taking more time.

Court Raises Question: What's "Marine" About Inland Marine Insurance Policy?

By CARL B. EVERBERG
Head of Boston University Law Department

The Supreme Court of Massachusetts, in Insurance Co. of North America v. Commissioner of Ins., 134 N. E. 423, discusses the apparent anomaly in calling certain insurance "marine" which wholly lacks marine features. It reviews the historical development of this kind of insurance, points to the fact that it is comparatively new, that it is an outgrowth of earlier insurance coverages on goods while in water navigation but also in land transportation. The name is actually a misnomer, says the Court, because it includes many forms of insurance which have no marine aspects. The decision attributes this "hybrid" type of insurance to a number of factors, such as the inauguration of shipment of goods by motor truck and by air, greater mobility of population, and increased traffic in personal property. Conventionally, insurance, prior to this development, would cover personal property at fixed locations and not, generally, while it was in movement.

Court Calls a Halt

The issue in the above case was whether a foreign company, doing business in Massachusetts, had the right to issue so-called inland marine policies on all risks (on all kinds of property such as heating and air-conditioning equipment, household appliances, industrial machinery, tools, musical instruments, office equipment and sporting goods, located at dealers' premises). The Court said that the statute authorizing inland marine insurance did not go so far; that the statute confined policies to the primary purpose of such insurance, which is related to transportation.

Provides for Floater Policies

Nevertheless, though the primary purpose of these policies is to cover goods against loss or destruction while in movement, this kind of insurance has gone outside of the realm of transportation risks, since the statute itself does provide for the writing of floater policies for dealers and others covering goods not necessarily in transit, for example, precious stones, jewels, jewelry, gold, silver or other precious metals, silverware, musical instruments, furs, fur garments or fine arts.

Fireman's Fund Building Wins Chamber of Commerce Award

The Fireman's Fund has been presented with the Award of Progress of the San Francisco Chamber of Commerce for its new headquarters. James F. Crafts, president of Fireman's Fund, received the award from E. D. Maloney, president of the Chamber. Participating in the ceremony were G. L. Fox, the Chamber's general manager, and W. F. McGowan, for the Business Center Development Committee, sponsor.

"San Francisco can be proud that this fine company has given tangible proof of its confidence in the city's future as a great headquarters city and insurance and financial center of the West," said Mr. Maloney.

The framed embossed certificate goes to firms or organizations whose major building and investment programs have enhanced their areas of the city and created significant new employment.

Faulty Building Design Blamed For Much of Fire Loss Rise

Faulty building design is blamed for much of the constant increase in number of and amount of damage from large-loss fires which set a record last year, three-fourths of them in buildings, says the *Engineering News-Record.*

Far more important than better enforcement of building codes or additional legislation would be voluntary action by architects and engineers raising their design standards to place fire control at the same level as resistance to vertical and lateral loading, according to the publication.

The Dartmouth Class of 1957, Graduate School of Credit and Financial Management

55 Receive Executive Award at Dartmouth

FIFTY-FIVE financial leaders have received the 1957 Executive Award on completing the three-year course given by the Graduate School of Credit and Financial Management at the Amos Tuck School of Business Administration, Dartmouth College, Hanover, N.H.

The graduates, from 30 cities in 13 states and Canada, represent more than a score of different lines of business and industry, and banking.

Special awards were presented to the following members of the Class of 1957.

CHARLES F. BOUND, vice president, Guaranty Trust Co. of New York, won the Alumni Association Honor Merit Award as the senior who had made the most outstanding contribution to leadership in the class and to the school. The presentation was made by Paul J. Hanna, vice president, The Hanover Bank, New York, alumni secretary and a 1956 graduate.

To JAMES S. HOWARD, treasurer and secretary, Johnson Steel & Wire Co., Inc., Worcester, Mass., went the Paul G. Hoffman Award as the graduate who had done the best work and had shown "marked personal and professional improvement" for all three sessions.

The American Petroleum Credit Association Award for the best Management Study report, on the basis of value to credit and financial executives and originality of material, was won by CALEB F. FOX, 3d., assistant vice president, Fidelity-Philadelphia Trust Co., Philadelphia. His topic: "Clearing House Plans for Payment of Freight Bills."

The commencement address was given by Howard E. Isham, vice president and treasurer, U. S. Steel Corp., New York. The Executive Awards were presented by William J. Dickson, executive director of the school.

The school, conducted as summer sessions by the Credit Research Foundation of the National Association of Credit Men, has been in operation at Dartmouth College for seven years. A duplicate session is conducted at Stanford University, Palo Alto, Calif., in July.

This year's Dartmouth session included 192 students and 16 faculty members, 4 assistant directors and 3 conference leaders. Among the latter was J. Allen Walker, NACM president, the general credit manager of Standard Oil Company of California, San Francisco.

The 1958 sessions of the Graduate Schools on the West Coast and in the East, will be held as follows:

Stanford University, July 6-19.

Dartmouth College, August 3-16.

Applications for the 1958 sessions are now being received at the school office at National's headquarters in New York.

Here are the names of this year's Dartmouth graduates, by state and city:

ALABAMA

Fairfield—R. E. FORTNER, credit mgr., eastern area, Tennessee Coal & Iron Division, United States Steel Corp.; ALBERT M. PEARSON, credit mgr., western division, Tennessee Coal & Iron Div., U. S. Steel Corp.

CALIFORNIA

Los Banos—EDWARD L. S. EVANS, mgr., Bank of America NT&SA; *San Francisco*—WILLIAM M. SUTHERLAND, assistant cashier, Bank of America NT&SA; STANFIELD S. TAYLOR, assistant cashier, Bank of America NT&SA. *Santa Monica* — ARTHUR B. WRIGHT, assistant mgr., Bank of America NT&SA.

CONNECTICUT

Torrington—R. E. WHITE, controller & asst. treas., The Torrington Co.

DELAWARE

Wilmington—W. H. HAWKINS, div. credit mgr., E. I. du Pont de Nemours & Co, EDWARD MERCHANT, JR., div. credit mgr., E. I. du Pont de Nemours & Co.

ILLINOIS

Chicago—DAVID A. ALLISON, asst. vice pres., First Federal Savings and Loan Assn. of Chicago; CHARLES C. CHRISTENSEN, mgr. of credit & collections, Refrigeration Dept., Hotpoint Co., Div. of General Electric Co.; B. H. MORSE, gen. credit mgr., Cities Service Oil Co. of Delaware; FRANCIS RICHARDSON, credit rep., U. S. Steel Corp. *Elgin*—FRED J. HERTEL, asst. treas., Elgin National Watch Co.

MASSACHUSETTS

Boston—HARVEY M. LEWIS, loan officer, The First National Bank of Boston. *Walpole*—RICHARD E. READ, asst. to credit mgr.,

(*Concluded on page 39*)

How to protect your receivables:

The easiest, most economical and most practical way to protect your receivables—used by thousands of Credit Executives—is to get a Credit Interchange Report—

FORM 7L

NATIONAL ASSOCIATION of CREDIT MEN

Credit Interchange Report

Guarding the Nation's Profits

OFFICES IN PRINCIPAL CITIES

------- CONSTRUCTION CO., ----------, NO. CAR. -------- COUNTY SEPT. 6, 1957

The accuracy of this Report is not guaranteed. Its contents are gathered in good faith from members and sent to you by this Bureau without liability for negligence in procuring, collecting, communicating or failing to communicate the information so gathered.

BUSINESS CLASSIFICATION	HOW LONG SOLD	DATE OF LAST SALE	HIGHEST RECENT CREDIT	NOW OWING (INCLUDING NOTES)	PAST DUE (INCLUDING NOTES)	TERMS OF SALE	PAYING RECORD: DISCOUNTS	PAYING RECORD: PAYS WHEN DUE	PAYING RECORD: DAYS SLOW	COMMENTS
CAROLINAS 822-2										
Elec	yrs	8-57	34719	4447		30		x		
I&S	1953	8-57	5202	1827		½-10-30	x			
I&S	1950	8-57	55100			½-10-30	x			
Hdwe	yrs	7-56	1465			2-10-30	x			
ALABAMA 822-2										
Bldg M	yrs	7-56	1233	576	209	2-10-30			15	
I&S	yrs	8-57	2600			½-10-30	x			
LOUISVILLE 823-351										
Bldg M	yrs	8-57	6133			2-10-30	x			
VIRGINIA 823-318										
P&H	yrs	8-57	1382	986		2-10			10	
CHATTANOOGA 826-215										
Bldg M	yrs	8-57	922			30		x		
GEORGIA 823-423										
[illegible]	[illegible]	8-57	1618	1555	33	EOM			10	
[illegible]	[illegible]	8-57	7352	1360		½-10-30		x		
[illegible]	[illegible]	8-57	13267	8312		2-10-30	x			
[illegible]	[illegible]	7-56	819			1-10-30		x		
[illegible]	[illegible]	6-57	683	483	218	1-10-30			30	

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Offices in more than 50 principal cities.

1

At the time you are investigating every new account.

2

When you receive an unusually large order, or a number of direct inquiries on a customer.

3

When you first notice a definite change in the customer's payment of your account.

4

When you analyze your receivables at the end of the month, see that you have a late Credit Interchange Report on all "Slow Pay" accounts.

5

When considering any collection procedure, get the debtor's side of the picture from a late Credit Interchange Report.

Such a report gives you detailed information—experiences from the ledgers of many suppliers—in all lines of business—from all parts of the country. A single inquiry brings it to you. The service is economical and reliable. The Bureau serving your area will gladly show you the details—without obligation.

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Credit Interchange Bureaus
NATIONAL ASSOCIATION of CREDIT MEN
612-14 Arcade Building . . . ST. LOUIS 1, MO.

KEEPING EMPLOYEES HONEST

(*Concluded from page 21*)

tool check system does not mean that these procedures should not be adopted by your company. A case comes to mind in which perusal of an accounts payable ledger by a keen executive disclosed inordinate purchases from a given vendor. This touched off an investigation which disclosed a defalcation involving spurious purchases, and came before the loss could reach a sizeable amount.

Examples of Violations

A flagrant violation of accepted accounting procedures which we encounter most frequently is that of permitting the purchasing department to have a hand in either the receiving or stockroom functions, and sometimes both. Time after time we find that the purchasing department has made the commitment, handles the receiving advices, and approves the invoice for payment.

In the final analysis, the accounting department is responsible to management for accounting for the assets, liabilities, income and expenses of the business. This end cannot be accomplished if an operational department assumes these prerogatives. Our recommendation is that a copy of the purchase order be forwarded to the accounting department at the time the original is mailed to the vendor. When the goods are received, a copy of the receiving advice should be sent *directly* to the accounting department. This means that by the time the department receives the approved invoice, it will have all the supporting data and be in a position to audit the disbursement.

This example shows how easily the internal control can break down and leave the company vulnerable to serious loss. Operations not directly related to the product manufactured are another source of potential loss. They may include a garage operation for maintenance of a fleet; a machine or electric shop for general maintenance of the plant; possibly a container operation for shipping the finished product. The inordinate exposure in these categories usually stems from the fact that they are considered necessary expenses, and management feels that any additional money spent in accounting for material, parts and tools just adds to an already burdensome overhead. This thinking, coupled with investing control over purchases and inventory in the hands of a single employee, paves the way for a sizeable defalcation over an extended period.

Qualified Personnel Essential

The final consideration is selection of qualified personnel. Perfection of interviewing techniques, aptitude and character tests, yardsticks for measuring performance provide the employer of today with proven means to put the right man in the right job. It is mandatory that your key employees be qualified for the jobs with which they have been entrusted, because if they do not exert the proper control the resulting laxity could seriously affect the stability of the company.

The hiring of an honest employee is no cause to sit back and relax. The neophyte is and always will be subject to the allurements of the world, the flesh and the devil. Your aggressiveness in seeing that he adheres strictly to the procedures set up for him may determine if he can withstand the onslaught of these three forces. If he fails and others fail along with him, the loss could mean the company's demise and your job. In maintaining proper vigilance, the job you save may be your own.

From Canisius College in Buffalo, N. Y., and Bentley School of Accounting in Boston, R. L. Bollard was in the accounting department of the Hearst newspapers and Standard Oil Company of New Jersey (Boston office) before joining Liberty Mutual Insurance Company, of Boston, in 1938 as payroll auditor.

After three years in eastern and southern states he was promoted to audit supervisor in New York, then to district auditor in charge of the Brooklyn office. He took graduate accounting at New York University, transferred to crime auditing in 1947 and a year later became division crime auditor at Atlanta. Mr. Bollard now is special auditor.

"We feel there is also an obligation on the employer to keep temptation out of the employee's way. This does not mean chasing one employee around to check up on another; it does mean dividing duties so that no one employee will have unsupervised access to the assets of the company."

R. L. Bollard

High Damage Awards Bring Large Underwriting Losses

Increased frequency of automobile accident claims and higher damage awards accounted in large part for heavy underwriting losses last year by insurance companies selling auto bodily injury liability coverage, the New York State Insurance Department showed in figures from companies operating in the state and representing most of the principal underwriters of America. Premium totals increased $145 millions from the $1,360,697,457 of 1955.

Nationwide loss of insurance companies the last ten years on auto liability was estimated at $271 millions.

Costs of 1957 policies are rising to new levels, with companies getting 17 to 25 per cent higher prices in many states.

New York state stock casualty insurance companies showed earned premiums totaling $1,019,196,240, which was $77 millions above the 1955 figure, but the loss ratio advanced from 58.7 per cent to 65.4 per cent. With expense ratio up a point, to 44.8 per cent, the underwriting loss was 10.2 per cent, third loss in five years. Mutuals registered their first loss in a number of years. Lloyds and reciprocals also showed a loss.

In 34 states rates on private passenger cars were increased.

Half Year Fire Loss Up 6.3%

Fire losses for the first half of this year totaled $550,155,000, an increase of 6.3 per cent over the $517,403,000 for the same period in 1956.

For June, however, the estimated fire loss of $69,710,000 represented a decrease of 6.8 per cent from the $74,770,000 of June 1956 and was 11.8 per cent under the May 1957 total of $79,045,000.

GRADUATES AT DARTMOUTH

BEGUN ON P. 36

Kendall Mills Div. of The Kendall Co. *Worcester*—JAMES S. HOWARD, treas. & secty., Johnson Steel & Wire Co., Inc.

MINNESOTA

St. Paul—K. T. BACON, asst. treas., Minnesota Mining & Mfg. Co.

MISSOURI

Kansas City—JOHN M. WINTON, regional credit mgr., Union Carbide & Carbon Corp.

NEW YORK

Elmira—ROBERT L. MORRIS, credit mgr., Thatcher Glass Mfg. Co., Inc. *Long Island City*—FRANK BIELEVICZ, asst. credit mgr., Union Carbide and Carbon Corp. *New York*—O. JOHN BETZ, second vice pres., Guaranty Trust Co. of N. Y.; CHARLES F. BOUND, vice pres., Guaranty Trust Co. of N. Y.; THOMAS DE CICCO, JR., senior creditman, Crompton-Richmond Co., Inc.; C. R. DODSON, asst. vice pres., First National City Bank of N. Y.; PERCY C. HUNT, div. credit mgr., Cannon Mills, Inc.; EDWIN T. KOEGEL, credit mgr., Ambassador Factors; DAVID W. LEWIS, asst. vice pres., Bankers Trust Co.; HENRY N. LOOMIS, senior credit inspector, First National City Bank of N. Y.; J. NORRIS MILLER, business analyst, Bakelite Co., Div. of Union Carbide & Carbon Corp.; JOHN NUFFORT, credit supervisor, American Cyanamid Co.; ROBERT H. PETTIT, vice pres., The Hanover Bank; W. E. RIDDIFORD, exec. assistant, treasury dept., U. S. Steel Corp.; JAMES J. RYAN, asst. mgr., First National City Bank of N. Y. *Rochester*—RICHARD C. SCOTT, asst. vice pres., Genesee Valley Union Trust Co.

NEW JERSEY

Hillside—MAURICE MUSER, JR., credit mgr., Edgcomb Steel & Aluminum Corp. *Hoboken*—DANIEL A. CHASE, credit mgr., Franklin Baker Div., General Foods Corp.

OHIO

Cleveland—T. M. SHERMAN, staff director, credit & collections, Thompson Products, Inc. *Dayton*—H. BARBEE SIMPSON, vice pres. and director of credit sales, American Lubricants Co. *North Canton*—EVAN B. SCHILTZ, asst. credit mgr., The Hoover Co. *Novelty*—ROBERT P. WHITE, office mgr., National Credit Office, Inc.

PENNSYLVANIA

Chester—PLEASANTON H. ENNIS, asst. vice pres., Fidelity-Philadelphia Trust Co. *New Holland*—T. O. GULLINGSRUD, field credit mgr., New Holland Machine Co. *Philadelphia*—DAVID C. DAVIES, div. credit mgr., Gulf Oil Co.; CALEB F. FOX, 3RD, asst. vice pres., Fidelity-Philadelphia Trust Co.; WESLEY NEWHOUSE, asst. treas., Fidelity-Philadelphia Trust Co. *Pittsburgh*—JOHN EARLY, JR., district credit mgr., United States Steel Corp.; J. HARRY EVANS, asst. mgr. of credits, Jones & Laughlin Steel Corp.; CHARLES H. GOMPERT, JR., staff asst., treasury dept., Westinghouse Electric Corp.; T. D. MCELROY, credit mgr., Spang Chalfont Div., National Supply Co.

WISCONSIN

Menasha—HERMAN J. POMY, credit rep., Marathon Corp. *Neenah* — ROBERT E. SMITH, credit mgr., industrial div., Kimberly-Clark Corp. *Thorp*—JEAN C. BROEREN, secty., Thorp Finance Corp.

CANADA

Montreal, Que.—J. S. MCCONNELL, credit mgr., The Shawinigan Chemicals, Ltd.; H. E. WORRALL, gen. credit mgr., Du Pont Co. of Canada, Ltd.

Insurance adjustor: "*We won't pay you any money, but we will replace your car.*"

Car owner: "*Well, that's all right in this case. But if that's the way you do business I want to cancel the policy on my wife.*"

—The Arizona Prospector

Cultivate Positive Thinking, Walker Tells El Paso Meeting

"Stress your ideals by cultivating a habit of positive thinking, developing your creative powers and taking advantage of opportunities to learn. Eliminate such words as 'dunning,' 'delinquency,' 'rejected,' 'turned down,' 'limit' from your credit policies and you will get better credit results." This was the counsel of NACM president J. Allen Walker, general credit manager, Standard Oil Company of California, in answer to the question: "What can the business community expect of credit management in this new era?"

"Your credit policies should develop opportunities and encourage new ideas," Mr. Walker told members of the Tri-State Credit Association, El Paso. "In human relations treat your customers, fellow employees and stockholders right. It will make better business."

Cuba's Credit Association Featured in Havana Post

The Asociacion de Profesionales de Credito de Cuba and its president, Jose Mola Morilla, CPA and an official of BANFAIC, have been the subjects of extended treatment by Roger A. Valdes in his column, "Trade Winds", in *The Havana Post*.

The Cuban unit, a "smashingly successful organization" in the words of Mr. Valdes, "will act as councillor and adviser to any group in any country in Latin America wishing to organize a credit association." The interview followed a recent conference between Mr. Mola and Philip J. Gray, secretary and foreign department director, National Association of Credit Men, with which the Cuban association is affiliated. Mr. Gray was in Havana on a tour of 13 countries in the interest of formation of credit groups.

The columnist quoted Mr. Mola as saying the Cuban association next year will inaugurate three new services to its 300 members: a collection department, a rehabilitation service to aid members in financial need for reasons beyond their control, and a legislative department. He added that study of organization and techniques for establishing these departments is the objective of a six-week visit to the United States by C. P. Nicolas Hernandez, executive director of the association.

93 Million Labor Force by '75

By 1975 the labor force of the United States may exceed 93 millions, says the Chase Manhattan Bank's "Business in Brief."

CALENDAR OF EVENTS IMPORTANT TO CREDIT

LINCOLN, NEBRASKA
September 25-27
Annual Tri-State Credit Conference, including Iowa, Nebraska and South Dakota

GRAND FORKS, NORTH DAKOTA
September 27-28
North Central Credit Conference, including North Dakota, Minnesota and Winnipeg

HARRIMAN, NEW YORK
September 30—October 2
Credit Management Workshop

WASHINGTON, D.C.
October 6-9
43d Annual Fall Conference of Robert Morris Associates

STE.-ADELE-EN-HAUTE, QUEBEC
October 6-8
Credit Management Workshop

SAN FRANCISCO, CALIFORNIA
October 13-16
Annual Conference of American Petroleum Credit Association.

SPRINGFIELD, MASSACHUSETTS
October 16-17
New England District Credit Conference, covering Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

BUFFALO, NEW YORK
October 17-19
Tri-State Credit Conference, including New York, New Jersey and Eastern Pennsylvania

OMAHA, NEBRASKA
October 18-20
Annual Midwest Credit Women's Conference

CHATTANOOGA, TENNESSEE
October 19-22
Annual Southeastern Credit Conference, covering Tennessee, Mississippi, Alabama, Georgia, Florida, South Carolina, North Carolina, Louisiana

LOUISVILLE, KENTUCKY
October 24-25
Ohio Valley Regional Conference, covering Ohio, Western Pennsylvania, West Virginia, Kentucky and Eastern Michigan

SAN DIEGO, CALIFORNIA
October 24-26
Pacific Southwest Credit Conference, including California, Arizona, Utah, Colorado, Nevada

KANSAS CITY, MISSOURI
November 13-15
Quad-State Annual Credit Conference, including Kansas, Missouri, Southern and Western Illinois.

OKLAHOMA CITY, OKLAHOMA
November 18-20
Annual Southwest Credit Conference, including Oklahoma, Texas, Arizona, Arkansas, Louisiana and New Mexico

VANCOUVER, BRITISH COLUMBIA
March 13-14, 1958
Annual Pacific Northwest Conference of Credit Executives

DETROIT, MICHIGAN
May 15-16-17, 1958
Annual Meeting of the NACM Affiliate Local Association Secretary-Managers

DETROIT, MICHIGAN
May 18-22, 1958
62nd Annual NACM Credit Congress and Convention

MILWAUKEE, WISCONSIN
September 18-19, 1958
Great Lakes Regional Credit Conference, including Illinois, Indiana, Michigan and Wisconsin

Deaths

J. W. Spangler, Seattle, Dies; Held National and Local Posts

James W. Spangler, a leading Northwest banker more than 40 years, was at the time of his retirement in 1946 vice president of the Seattle-First National Bank. He was 82. He had served as president of the Seattle Association of Credit Men 1908-1911, was for several years a director and from 1910-11 vice president of the National Association of Credit Men. At that time he was with Dexter Horton National Bank. He is said to have established the first bank credit department in the Northwest in 1906, and in 1911 he was made vice president of Seattle National, which became the Seattle-First National in a merger.

R. A. Spicer Was Memphis Unit President 1919-20

Robert A. Spicer, who died recently, had been president of the NACM Mid-South Unit, Memphis from 1919-20, and was the oldest living president of the association.

James F. Daly

James F. Daly, 55, associated with Keyes-Fibre Company most of his business career, died after a cerebral hemorrhage at Waterville, Me., to which his company had moved last year from the New York area. Mr. Daly was a charter member of the National Paper Industry Credit Group, National Association of Credit Men.

Rudolph M. Bremer

Rudolph M. Bremer, who in 1920 was president of the Grand Rapids Credit Men's Association (now NACM Western Michigan, Inc.), died in his 78th year.

Any car will last your lifetime if you're careless enough.

—Quote

Important!—

When 45 State Legislatures meet in one year, watch out for New Laws affecting business.

When production facilities increase, it means greater competition.

When competition is keen and money is 'tight', it means more credit.

When more credit is demanded, there is greater need for alertness.

The 1958 edition of

CREDIT MANUAL
of
Commercial Laws

is specially written for credit executives. It takes their legal problems one by one and gives the solutions, clearly, concisely and in layman language—your everyday language.

The "Credit Manual of Commercial Laws" is the only book which deals exclusively with the credit side of the law. Every detail of the laws of sales is included: the law of contracts, secured transactions, bankruptcy, negotiable instruments and many others. Nothing is omitted that concerns credit sales.

Special Pre-Publication Offer

The special pre-publication price to members of the National Association of Credit Men is $9.60—a savings of $2.40. (Regular price $12.00.) Only a limited number of copies will be printed, so *send in your reservation order today* and take advantage of this special offer.

National Association of Credit Men

Publications Department **229 Fourth Avenue, New York 3, N. Y.**

ON THE Personal Side

John J. Dorgan, Houston, Texas, director of credit and insurance for Continental Oil Company, had joined Conoco's coordinating and planning department in 1948 at Ponca City, Okla., and transferred to Houston two years later. He was on leave of absence from Conoco for one year, serving with the Petroleum Administration for Defense in Washington, D. C., and returned to Conoco's headquarters offices in Houston in 1952 as assistant to the president of the company.

In 1954 he transferred to the company's Rocky Mountain region land department in Denver, Colo., and in late 1955 moved to Casper, Wyo., where he served until his promotion to director of credit and insurance.

A native of Providence, R. I., Mr. Dorgan received his master's degree in 1948 from the Harvard Graduate School of Business.

Donald R. King has become credit manager, The F. C. Russell Company, Cleveland. He had been credit manager, Industrial Rayon Corporation, and, earlier, divisional credit supervisor, The White Motor Company. A trustee of the Cleveland Association of Credit Men and member of the New York Credit & Financial Management Association, he holds the Executive Award of the Graduate School of Credit and Financial Management, NACM, Dartmouth, 1955. Mr. King contributed to the symposium "Steps to Earn Place on Management Team," which appeared in the June 1957 issue of *Credit and Financial Management.*

Warden N. Hartman, Jr., since 1954 general credit manager and assistant treasurer of Armstrong Cork Company, Lancaster, Pa., has been advanced to the newly created position of general manager of new product coordination. He continues his responsibilities as assistant treasurer. Mr. Hartman began with Armstrong as a sales trainee in the building materials division in 1939 and following war service he became an executive of the building materials division at Lancaster headquarters.

As manager of contract operations and later manager of the industrial insulation department, Mr. Hartman was responsible for revision of this area of the company's operations. He was made general credit manager Jan. 1, 1954. assistant treasurer later that year. In addition to an electrical engineering degree and the master's degree in economics of Massachusetts Institute of Technology, he holds the Executive Award of the NACM Graduate School of Credit and Financial Management, Dartmouth (1956). He is a member of the board of directors in the Credit Men's Association of Eastern Pennsylvania.

David E. Mitchelson has been appointed vice president-treasurer, Parke, Davis & Company, Detroit. Treasurer since 1946, he began with the company in 1920. At the same time, Charles A. Erdmann. formerly assistant controller, was named controller.

L. Byron Cherry has been named vice president-finance and management services, Columbia Broadcasting System, Inc., New York, a newly established division of CBS.

James C. Hullett, president and finance committee chairman of Hartford Fire Insurance Company, has been reelected president of the National Board of Fire Underwriters.

Also reelected: Harry W. Miller, general U.S. attorney of the Commercial Union-Ocean Group, vice president, and D. R. Ackerman, board chairman of the Great American Insurance Company, treasurer.

Elected secretary: F. Elmer Sammons, president and director, The Hanover Fire Insurance Company and The Fulton Insurance Company.

J. C. HULLETT

J. J. DORGAN

W. HARTMAN, JR.

D. R. KING

J. J. Steig, for the last 12 years credit manager of Tracy-Wells Company, Columbus, Ohio, twice president of the Columbus Credit Association and six years a director, has become associated with the Ohio National Bank and its parent Bancohio Corporation, which are expanding their credit operations. Readers will recall the case history article Mr. Steig presented in CFM October 1954.

Gregory Peters now is controller, Circuit Instruments, Inc., St. Petersburg, Fla., subsidiary of International Resistance Company, Philadelphia. He previously was with Peat, Marwick, Mitchell & Company.

David W. Myers, vice president and controller, Producto Machine Company, Bridgeport, Conn., has been named a director.

William H. Randall, formerly credit manager, The Snowden-Mize Drug Company, Atchison, Kan., has been advanced to assistant treasurer. He succeeds John C. Savory, retired. Earlier Mr. Randall managed his own business and was in war department finance work.

H. Hayes Wunderlich, treasurer since 1951, has additionally been named vice president of Jones & Laughlin Steel Corporation, Pittsburgh. He began with J&L in 1923 as accountant in the general office, Pittsburgh, and he has held a number of financial posts, including vice president-finance, assistant controller, and director of budgets

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